

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF HAMPTON, VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

HAMPTON VA



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COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF HAMPTON, VIRGINIA

For the Fiscal Year Ended June 30, 2015

Prepared by:

Karl S. Daughtrey, Director of Finance

Jacqueline Green, Controller

and

The Department of Finance

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CITY OF HAMPTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2015

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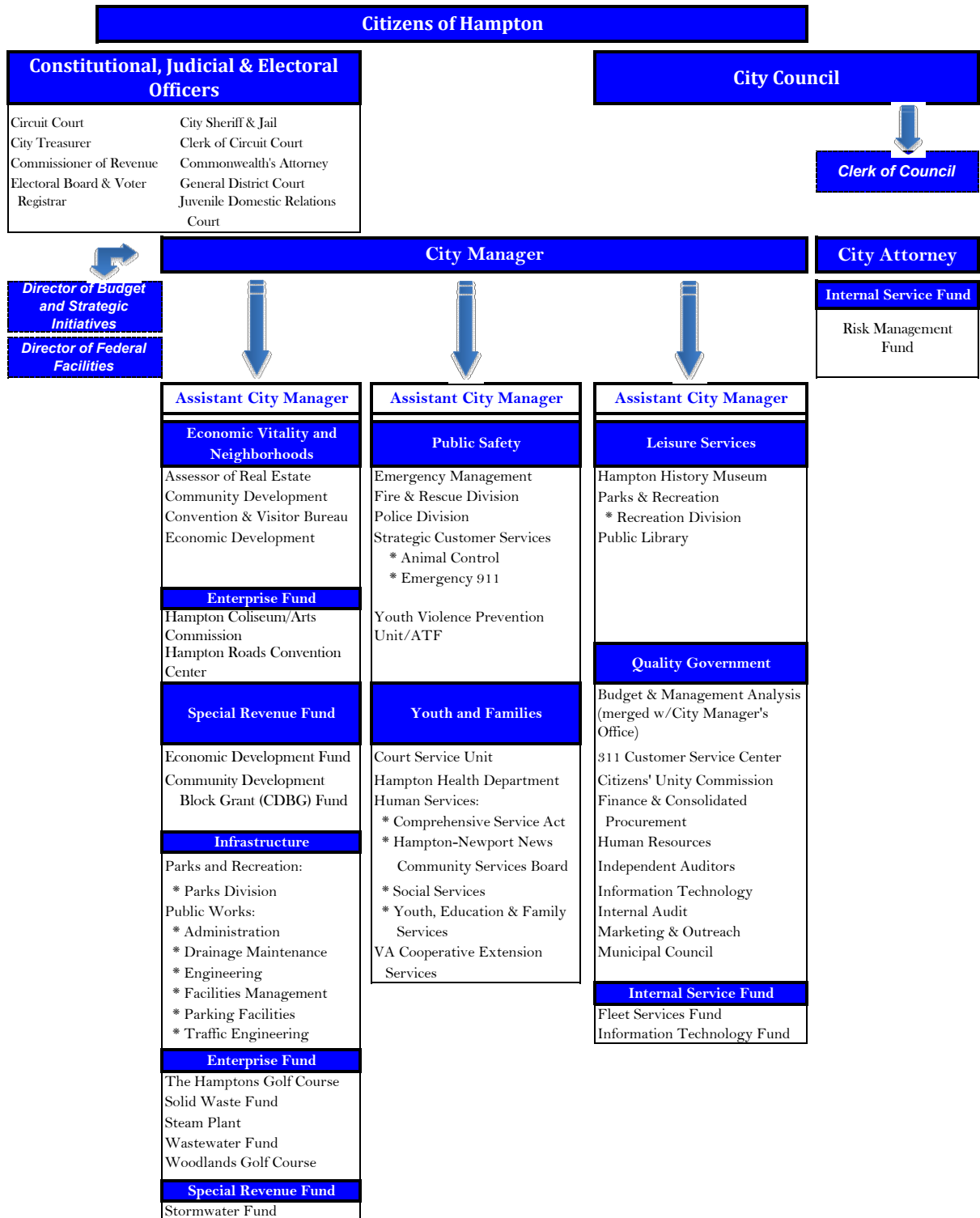
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CITY OF HAMPTON, VIRGINIA

JUNE 30, 2015



CITY OF HAMPTON, VIRGINIA
June 30, 2015

ELECTED OFFICIALS

CITY COUNCIL

George E. Wallace, Mayor
Linda Curtis, Vice Mayor
W.H. "Billy" Hobbs, Jr.
Will J. Moffett
Teresa V. Schmidt
Chris Osby Snead
Donnie R. Tuck

CONSTITUTIONAL OFFICERS

Linda B. Smith - Clerk of Courts
Anton A. Bell - Commonwealth's Attorney
Ross A. Mugler - Commissioner of the Revenue
Robert S. Williams - City Treasurer
Billy Joe "B.J." Roberts - City Sheriff

APPOINTED OFFICIALS

CITY ADMINISTRATION

Mary B. Bunting - City Manager
James A. Peterson - Assistant City Manager
Steven Bond - Assistant City Manager
Laura A. Fitzpatrick - Assistant City Manager
Karl S. Daughtrey - Director of Finance
Brian DeProfio - Director of Budget and Strategic Initiatives
Jacqueline Green - City Controller

CITY OF HAMPTON, VIRGINIA
June 30, 2015

SCHOOL BOARD

Martha Mugler, Chair

Phyllis Taylor Henry
Linwood D. Harper
Jason Samuels

Joseph Kilgore
William Pearson, Vice Chair
Monica J. Smith

SCHOOL ADMINISTRATION

Dr. Linda Shifflette - Superintendent
Dr. Patricia Johnson - Deputy Superintendent for Curriculum and Instruction
Suzanna Scott - Deputy Superintendent for Operations and Support
Dr. John Caggiano - Executive Director of School Leadership
Dr. Raymond Haynes - Executive Director of School Leadership
Dr. Donna Woods - Executive Director of School Leadership
Dr. Cynthia L. Cooper, Executive Director of Research, Planning and Evaluation
Robbin Ruth - Executive Director of Human Resources
Carolyn Bowers, Clerk of the School Board

HAMPTON EMPLOYEES' RETIREMENT SYSTEM

BOARD OF TRUSTEES

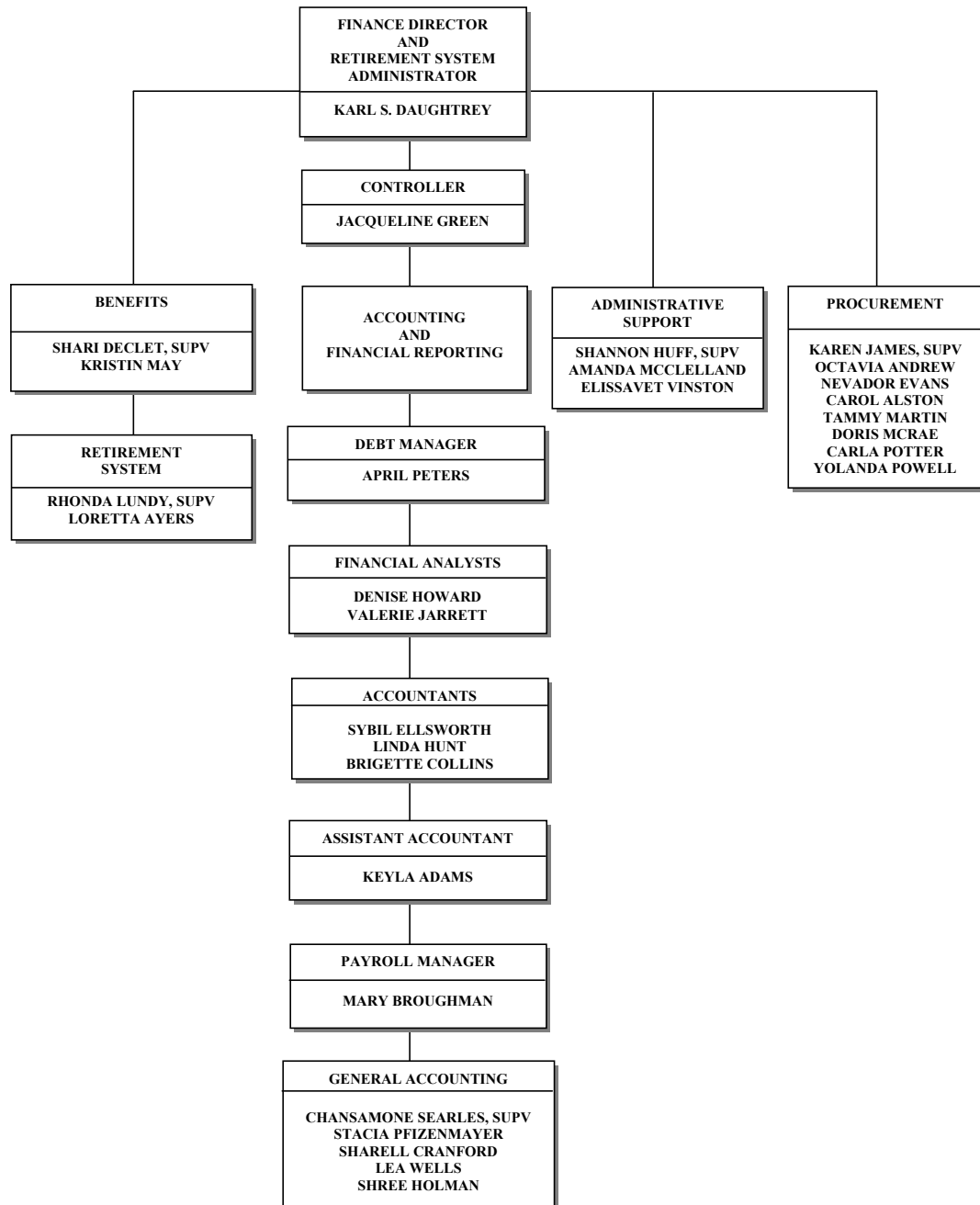
A. G. Womble, Jr., Chairman

James A. Peterson, Vice Chairman
Karen James, Legal Counsel
Sue Ange
Michael Monteith

Joe Sanders
Suzanna Scott
William "Bill" Benson, Jr.
James Wilson

Karl S. Daughtrey, Administrator and Treasurer

**CITY OF HAMPTON, VIRGINIA
DEPARTMENT OF FINANCE
June 30, 2015**



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December 2, 2015

Honorable Mayor, Members of the City Council,
City Manager and the Citizens of the City of Hampton
Hampton, Virginia

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Hampton, Virginia (the City) for the fiscal year ended June 30, 2015. State law requires the City to publish, at the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with Government Auditing Standards by a firm of licensed certified public accountants. This report has been prepared by the Department of Finance and the report does comply with state law and guidelines and of the Auditor of Public Accounts of the Commonwealth of Virginia.

The City's Management assumes full responsibility for the accuracy, completeness, and reliability of all information presented in this report. We believe the data, as presented, is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. In order to provide reasonable, but not absolute, assurance regarding the data, the management of the City has designed a framework of internal accounting controls to protect the City's assets from loss of unauthorized use or disposition, provide reliability of financial records for preparing financial statements and maintain the accountability for assets.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; and that the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

State law requires that the financial statements of the City be audited by a certified public accountant. Cherry Bekaert LLP, Certified Public Accountants have audited the City's financial statements. As a result of an audit of the City's financial records and transactions of all funds, component units and departments of the City, Cherry Bekaert LLP has concluded that the financial statements are in compliance with generally accepted accounting principles and have issued an unmodified opinion on the City of Hampton's financial statements for the year ended June 30, 2015. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

Profile of the City

Background

The City of Hampton, Virginia, settled in 1610, is the oldest English-speaking community in continuous existence in the United States. The City was incorporated on March 30, 1908 and has operated under its existing charter since December 16, 1952. Its boundaries were extended on July 1, 1952 through the annexation of Elizabeth City County and Phoebus. The City is comprised of 72 square miles, including 54.7 square miles of land and 17.3 square miles of water. Hampton is situated at the extreme southeastern tip of the Lower Peninsula of Virginia. It is bounded on the west by the City of Newport News, on the north by York County and the City of

Poquoson, on the east by the Chesapeake Bay and on the south by the Harbors of Hampton Roads. Hampton is part of the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA).

As of the July 1, 2014, current estimated population in Hampton was 138,545.

Hampton is an independent, full-service City with sole local government taxing authority within its boundaries. It is empowered by state statute to levy property taxes on real and personal property located within its boundaries. The governing body of the City is an elected City Council composed of a mayor and six (6) council members. The Mayor and City Council members are elected for four (4) year terms in general elections held every two (2) years. The City Council appoints the City Manager who acts as the Chief Executive Officer of the government. The City Manager serves at the pleasure of the Council and is charged with the responsibility of carrying out their policies, directing business procedures, and appointing and removing all department heads and city employees.

As a full-service city, Hampton provides a broad range of municipal services to its citizens. Those services include public safety, education, public works, refuse-collection, recreation, building inspection, public health, social services, planning, community development, etc. The City of Hampton and its citizens purchase their water and sewer service directly from Newport News Waterworks and Hampton Roads Sanitation District, respectively.

During fiscal year 2015, several awards and recognitions were received by the City of Hampton. They are listed below:

- The City's Fleet Services Department was named the 17th best fleet operation in North America by Governing Magazine. The department, which manages and services the city's cars and trucks, was singled out for its "uses of technology, accountability, pricing, customer service, innovation, efficiency, and continuous improvements", noted judges. The award also noted the department's "reflection of the culture of public service."
- In addition, the City's Fleet Services Department earned the Blue Seal of Excellence from the National Institute for Automotive Service Excellence for the training level of their certified technicians.
- The City's Budget Department received the Government Finance Officers Association Distinguished Budget Presentation Award for the FY15 Budget document.
- For the thirteenth time Hampton was named as one of the most technologically-advanced cities in the nation by the Center for Digital Government. The survey focuses on results achieved by cities through the use of technology in operating efficiencies, realizing strategic objectives, innovative or creative solutions or approaches, effective collaboration and transparency measures.

Budgetary Systems

The annual budget serves as the foundation for the City of Hampton's financial planning and control functions. The City must appropriate funds for both the City and school system operation in accordance with state law. The appropriated budget is prepared by fund, function, (e.g. public safety) and department (e.g. fire). The City Manager is authorized to transfer budgeted amounts within the General Fund; however, revisions that alter the total appropriations for a department must be approved by City Council. Transfers within the School Operating Fund are under the control of the School Board.

Component Units

The financial reporting entity includes all funds of the primary government (the City), as well as its component units. Component units are legally separate entities for which the City is financially accountable. The City has included the financial data of four discrete component units which are legally separate entities: Hampton City School Board, Economic Development Authority (EDA), Coliseum Central Business Improvement District, Inc. and Downtown Hampton Development Partnership, Inc.

Economic Conditions and Outlook

Local Economy

The City's central location in the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA) affords its businesses the ability to take advantage of resources offered throughout the area. Hampton's many business amenities have attracted a long list of prosperous and well-known national and international companies. Manufacturing, technology, retail services, distribution, and federal installations comprise the major components of economic activity within the City.

The City's strategic location and economic development activities offer its residential civilian labor force a wide range of employment opportunities. Hampton businesses draw from the largest regional workforce between Washington, D.C. and Atlanta, with over 824,000 highly educated, skilled, and technically trained workers. Each year, over 13,000 trained and disciplined personnel exit the military. Many of these persons elect to stay in the area and look for private sector employment, and there are over 25,000 military spouses available to work. In addition, there are almost 100,000 students attending the region's eight universities and four community colleges with an estimated 14,000 graduates per year.

The effects of the economic downturn continue to impact the national, state, and regional economies. The federal government's budget sequestration also continues to be a drag on the region due to the large federal presence in the area. However, Hampton Roads is continuing to gradually recover with the region's economy, as measured by Gross Regional Product, expanding at a rate of 1.3% percent in 2014. The other legs of the regional economic stool, the tourism industry and the port, are seeing positive growth. Port growth has been a bright spot with General Cargo Tonnage increasing 10.7% from June 2014 to June 2015, while growth in the tourism industry has been solid with hotel revenue increasing 5.4% over the past year. Employment growth continues to be sluggish with Civilian Nonfarm Jobs increasing 0.8%. The region's unemployment rate has come down from 5.8% to 5.4%, compared to the 5.3% national rate. Hampton's unemployment rate has decreased to 6.5% as of June 2015, versus 6.8% last year.

There are other positive signs for the regional economy. The drag of sequestration may soon be relieved, as there appears to be a consensus building in Washington to relax budget-spending caps. Even with the spending caps in place, the budgets for Langley Air Force Base, NASA Langley Research Center and the Veterans Administration hospital in Hampton have all seen some budget growth recently. Prospects for continued growth at the port is also strong as its natural deep-water harbor is one of the few places on the east coast of the country that can take the largest container ships traveling the oceans today. Hampton, being in close proximity to the port and at the intersection of I-64 and I-664, is well situated to take advantage of future growth at the port. In fact, the City saw strong demand for warehouse space as the Port of Hampton Roads experienced increased traffic due to the labor dispute at the Port of Los Angeles this year. Hampton also continues to see positive results from tourist destinations like the Boo Williams SportsPlex and business at the Convention Center continues to recover.

It also appears that the real estate market is beginning to stabilize after years of decline. While we saw a decline from 2014 to 2015 of .7%, this decline is approximately one-third of the prior year's decline and we are starting to see some stabilization in assessments driven by commercial and multifamily properties that will get us back to positive growth in the future.



Economic Development

The City is home to two institutions of higher education: Hampton University and Thomas Nelson Community College. Hampton University has been educating scholars and leaders for over 140 years. Hampton University provides a broad range of technical, liberal arts, pre-professional, professional, and graduate degree programs and has over 6,000 students enrolled. It is located in Hampton Virginia's downtown area on the waterfront. The University is ranked among the top southern universities in the regional university category in the *2015 U.S. News and World Report – Best Colleges* rankings.

Thomas Nelson Community College offers planning and strategic partnerships with economic development entities on the Virginia Peninsula. Services include targeted workforce development, strategic planning, joint grant opportunities, pre-employment training, employer/industry customized training programs and availability of fully equipped training facilities including classrooms, labs, and flexible manufacturing and industrial training spaces. Old Dominion University's Peninsula Higher Education Center has combined with Thomas Nelson Community College to promote the advancement of knowledge here on the Peninsula. It is a state-of-the-art academic facility designed to support a wide array of graduate and undergraduate programs that meet the needs of the local community. Its location makes it convenient for residents to complete their bachelor degrees and for health and other professionals to complete their education through the doctorate level. The Peninsula Center offers 24 undergraduate and 25 graduate programs with over 200 classes scheduled each week.

The City of Hampton continued to amplify its economic development efforts to attract new businesses while expanding and retaining existing businesses thereby creating new jobs. Hampton's central location and its skilled workforce are two economic assets that allowed it to persevere through the recession and continue its economic prosperity during the recovery period. A diversified business community, fueled by the flow of private and federal funding, propels Hampton's stable growth

The private sector accounted for more than \$72 million in new investment in the city (\$56 million in commercial and industrial investment and \$16 million in retail investment). It is also important to note that the commercial and industrial investments resulted in

1,591 new jobs being created, and the retail investments resulted in 373 new jobs being created. The federal sector accounted for over \$80 million in new investment.

One of Hampton's largest economic development projects in recent years was recently completed. FedEx Ground opened a \$40 million, 200,000 square foot package distribution center on a 22 acre site in the Langley Research and Development Park. It is projected that 220 warehouse package handlers and office workers and 144 drivers and their assistants will occupy this facility during normal and peak periods of the operation. In addition to this facility being supported by a skilled local and regional workforce, the immediate access to Interstates 64 and 664 made this the ideal site for this Fortune 500 Company

Hampton's economic growth will continue as the City continues its focus on cultivating its primary industry clusters of aerospace, communications, homeland security and defense, advanced manufacturing, and medical. Utilizing assets such as the Hampton Roads Center North Business Park, a 220 acre shovel ready site for development, Hampton will continue to market to the national and international investment community to expand upon its economic development successes. Hampton citizens will also benefit as new high wage and high skilled jobs are created in the City. This in turn will facilitate and support the expansion of Hampton's retail assets.

The following charts highlight some of the fiscal year 2015 economic development activity:

| <u>New Business</u> | <u>Sector</u> | <u>Investment</u> |
|------------------------------|------------------------|-------------------|
| FedEx Ground | Logistics/Distribution | \$ 40,000,000 |
| Rite Aid | Retail | \$ 6,550,000 |
| CVS | Retail | \$ 2,800,000 |
| Wal-Mart Neighborhood Market | Retail | \$ 2,000,000 |
| Liberty Source | Financial Services | \$ 1,560,000 |
| Ferguson | Wholesale/Distribution | \$ 1,080,000 |

| <u>Expansion Business</u> | <u>Sector</u> | <u>Investment</u> |
|--------------------------------------|---------------------------------------|-------------------|
| AMSEC, LLC | Industrial Design Services | \$ 3,500,000 |
| Consentino | Logistics/Distribution | \$ 2,200,000 |
| TPMG Hampton Family Medicine | Medical | \$ 1,582,000 |
| Eagle Distributing Enterprises, Inc. | Transportation Equipment and Supplies | \$ 1,100,000 |
| M2 Pictures | Information | \$ 1,000,000 |
| Registrar Corp | Business and Professional Services | \$ 1,000,000 |

Military, Federal Research Facility and Veterans Medical Center

Langley Air Force Base is the oldest continuously serving active installation in the United States and headquarters for the Air Combat Command. It is also home to the U.S. Air Force's First Fighter Wing with one-third of the Nation's Air Superiority Fighter Aircraft, the F-22 Raptors stationed there. Covering 2,900 acres, Langley has more than 9,500 military personnel and approximately 3,250 civilian employees with a combined payroll of over \$697 million. For the fiscal year 2013-2014, Langley Air Force Base's economic impact analysis stated the base had a total economic impact of \$1.1 billion to the local community. The fiscal year 2015 active construction program totaled \$54.4 million - of which \$4.9 million was design cost and \$49.5 million was actual construction.

The National Aeronautics and Space Administration's NASA Research Center is located in Hampton adjacent to Langley Air Force Base. The Center is an important national resource serving inherent government functions such as aeronautics, science, space technology, human space exploration, climate research and the air transportation system. In 2015, Langley employed 3,600 people. Approximately 1,900 were civil service employees and 1,700 were private-sector employees working on or near-site for companies that were contracted to provide support for NASA. For fiscal year 2016, \$120 million is planned for the active construction program at NASA Langley. NASA covers 788 acres with 166 buildings with a replacement value of \$3.5 billion. The Virginia Air and Space Center, located in downtown Hampton, serves as the official welcome center for NASA Langley. NASA Langley's economic output to Virginia was nearly \$1.1 billion which generated over 10,000 jobs throughout the Commonwealth of Virginia and Hampton Roads

region in fiscal year 2014. Its impact on the Hampton Roads region was \$782 million supporting approximately 5,600 jobs.

The Hampton Veterans Affairs Medical Center (HVAMC) is located on 85 acres with 45 significant buildings. Active construction for fiscal year 2014 totaled \$58 million of which \$6.1 million was for design and \$51.4 million was actual construction. The HVAMC has over 1,750 employees with an annual operating budget of \$285 million. They are the fastest growing VA Medical Center in the Nation serving a population over 400,000.

General Government Financial Operations

All general governmental operations are accounted for in the General, Special Revenue, Capital Projects and Debt Service Funds. Substantially all recurring revenues and expenditures are accounted for in the General Fund and the School Operating Fund (included in the Discretely Presented Component Unit-School Board financial statements).

Total revenues, expenditures, and other financing sources and uses, for the General and School Operating Funds are as follows:

| | 000's Omitted | | |
|---|---------------|-----------|--------------------------------|
| | 2015 | 2014 | Percent Increase (Decrease) |
| Revenues and Other Financing Sources: | | | |
| General Fund | \$317,220 | \$317,305 | (0.03) |
| School Operating | 123,849* | 126,833* | (2.35) |
| Total | 441,069 | 444,138 | (0.69) |
| Expenditures and Other Financing Uses: | | | |
| General Fund | 244,565* | 244,674 | (0.04) |
| School Operating | 197,160* | 195,064 | 1.07 |
| Total | (441,725) | (439,738) | 0.45 |
| Net change to fund balance | \$(656) | \$4,400 | |

*Excludes payments between the General Fund and School Operating Fund

The General Fund revenues and other financing sources were relatively flat when compared to fiscal year 2014, decreasing by approximately \$127,500 or 0.03%. Current year real estate tax revenues decreased by \$1 million from fiscal year 2014. The decline was due to a decrease in assessed values. Current personal property tax revenues increased by \$1.1 million over the previous fiscal year. The personal property tax rate was increased by City Council from \$4.25 to \$4.50 per \$100 of assessed values effective January 1, 2015. In the other local taxes category, meal and sales taxes grew by approximately \$0.5 million and \$0.7 million, respectively, over fiscal year 2014. Business license revenues decreased by \$0.6 million from fiscal year 2014. This decline in business license revenues was primarily due to refunds.

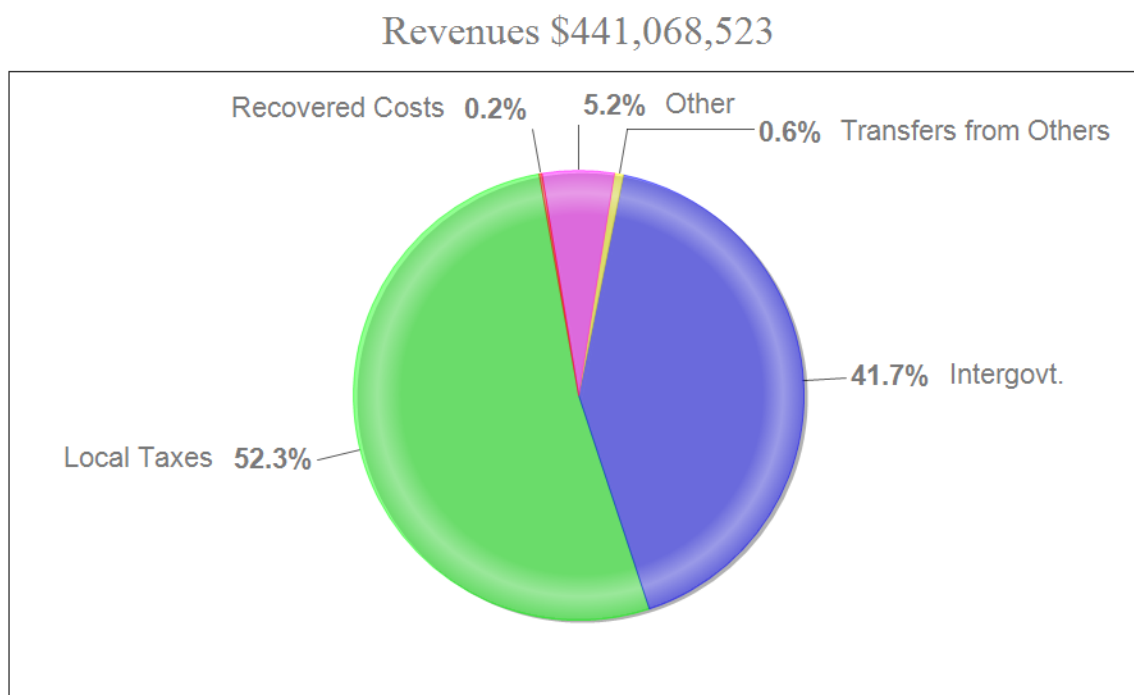
General Fund expenditures decreased by approximately \$109,000 from the fiscal year 2014 amount. This decrease is due to other financing uses, primarily transfers to the Capital Projects Fund offset by increases in expenditures from General Government and Culture and Recreation. Transfers to the Capital Projects Fund decreased by \$4.03 million due to greater activity in fiscal year 2014 for the Hampton City Schools "One to One" Technology Project and a decrease in VDOT revenue sharing projects. For fiscal year 2015, a 3.0% or \$2.9 million increase in the General Government category is the result of a one-time performance payment to employees totaling approximately \$2.6 million. The Culture and Recreation category increased by \$1.05 million mainly due to an increase in School maintenance (\$0.7 million), \$0.3 million for personnel for the community centers and the Performing Arts Center formerly known as the Teen Center.

The School Board Operating Fund revenues decreased by approximately \$3.0 million or 2.35% over fiscal year 2014. State revenues decreased by \$2.8 million. This decline resulted from a reduction in 345 students over the previous year. Average Daily Membership (ADM) dropped from 20,226 in fiscal year 2014 to 19,881 in fiscal year 2015. The most significant decreases were for Special

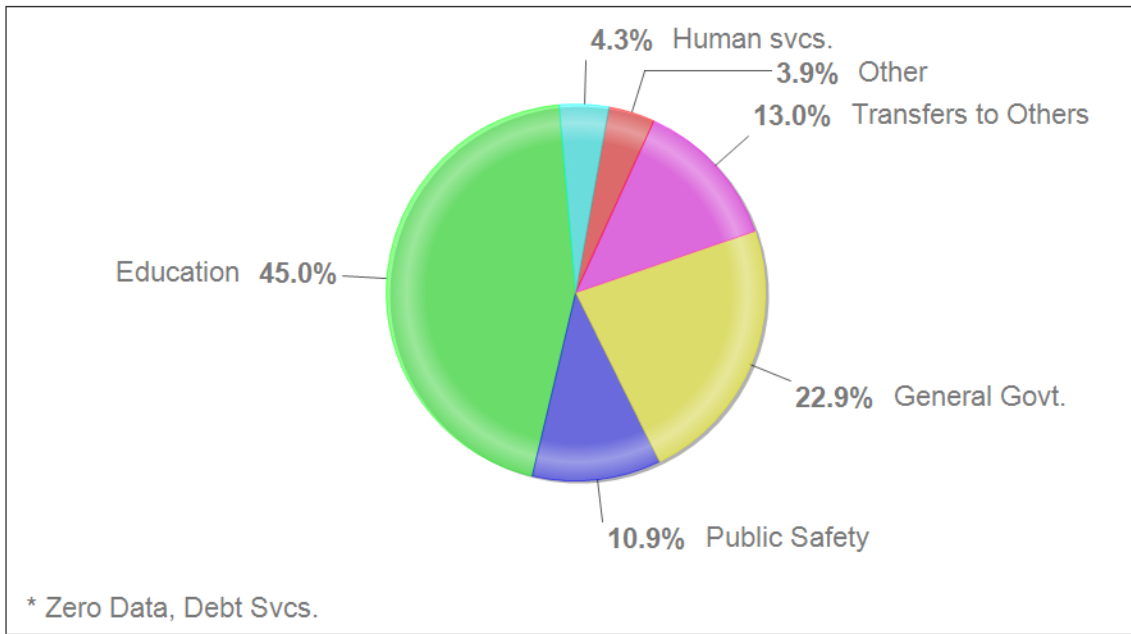
Education (\$2.7 million), Salary Supplements (\$1.5 million) and Assistance with Retirement (\$1.3 million). The School Board primarily had increases in revenues for At-Risk (\$.541 million), Remedial Education (\$.421 million), K-3 Primary (\$.318 million) and Sales Tax (\$.782 million). Federal and Other funds decreased by \$.171 million or 6.82%. The Local Contribution from the City increased slightly from the previous year by \$.339 million or .48%.

The School Board Operating Fund expenditures increased by \$2.1 million or 1.07% over fiscal year 2014 due mainly to an increase in spending for technology, instruction, administration, attendance and health. Expenditures for Transportation as well as Operations and Maintenance decreased from 2014. Technology expenditures increased approximately \$2.4 million during fiscal year 2015 while Administration, Attendance and Health increased \$.359 million. Technology's increase was due primarily to purchases of computers and iPads. The iPad purchases were for students in the 1:1 initiative program. Transportation costs decreased slightly (\$.51 million) due to a slight decline of average fuel costs. Operation and Maintenance expenditures decreased in 2015 by \$.6 million due to a reduction in contractual services.

The graphs of the 2015 General Fund and School Operating Fund revenues and expenditures are as follows:



Expenditures \$441,725,118



Long Term Financial Planning

In the years 2015-2019, \$224.3 million is scheduled for City and School projects. The following summarizes these projects:

| | |
|--------------------------------------|----------------|
| • Education | \$47.3 million |
| • Hampton's Waterways | \$21.0 million |
| • Maintenance of Public Properties | \$66.1 million |
| • Master Plans | \$14.2 million |
| • Neighborhood Support | \$1.7 million |
| • Other Economic Development Support | \$3.9 million |
| • Other CIP Projects | \$9.8 million |
| • Public Safety | \$7.3 million |
| • Streets and Infrastructure | \$53.0 million |

Financial Policies

In April 2007, the City Council amended its existing financial policies. The financial policies relate to general operating elements of the City. These policies are used as financial planning parameters during the annual budget process. The five (5) financial policies and the actual results are summarized below:

1. Debt Policy Limit. (a) General obligation debt shall not exceed 3% of the assessed value of all real estate within the City subject to taxation. At June 30, 2015, general obligation debt totaled \$270 million or 2.65% of taxable real estate value, which was within the

policy parameter.

(b) General obligation bonded debt together with indirect debt, which includes certain revenue backed debt and subject-to-appropriation or moral obligation commitments, and debt of certain special purpose entities (i.e. Community Development Authority) shall not exceed 4.5% of the assessed value of all real and personal property subject to taxation within the City. At June 30, 2015, this would amount to \$453 million or 4% of the assessed value of all taxable real and personal property which was within the policy parameter.

(c) Debt of certain special purpose entities, such as community development authorities, shall not exceed 1% of the assessed value of all real and personal property subject to taxation within the City. At June 30, 2015, this would amount to \$101 million or .88% of the assessed value of all taxable real and personal property, which was within the policy parameter.

2. Debt Service Policy Limit. General obligation bonded debt and indirect debt shall not exceed 10% of the City's total General Fund and the School Operating Fund expenditures. At June 30, 2015, this would amount to \$38 million or 8.7% of total expenditures, which was within the policy parameter.

3. General Obligation Debt Retirement Policy. The City shall retire at least 60% of the principal balance of general bonded obligation debt within 10 years of the date the debt is issued. The City will retire approximately 71% of general bonded obligation debt in fiscal year 2025 that was outstanding as of June 30, 2015.

4. Equity Funding. A minimum of 2% to 6% of general fund revenues will be applied to CIP capital projects each year. At June 30, 2015, capital expenditures were \$17 million which is 4% of General Fund revenues. Also, a minimum of 10% to 15% of CIP projects over a rolling five-year period are to be funded from general fund revenues. For the five year period, 2015 through 2019, the City plans to use 39% of General Fund revenues on CIP projects.

5. Unassigned Fund Balance. The City will maintain an unassigned General Fund balance equal to 10% of total General Fund and School Operating Fund revenues. To the extent unassigned fund balance falls below the policy, the shortfall shall be replenished over a three-year period. The unassigned fund balance at June 30, 2015 was \$52.1 million or 12% of actual revenues.

The City is in compliance with the Financial Policy Guidelines.

Credit Ratings

The City's credit ratings are as follows: AA+ by Standard and Poor's, Aa1 by Moody's Investor Services and AA+ by Fitch Rating.

Major Initiatives and Accomplishments

Fort Monroe

Fort Monroe at Old Point Comfort is a National Historic Landmark and sits on a 565 acre island at the mouth of Hampton Roads with 3 miles of beaches, bayside boardwalk, 200 acres of parks and open space and spectacular views of the Chesapeake Bay. Today Fort Monroe still stands as the largest stone fortification and moat ever constructed in North America and is complete with 174 stately historic homes, over 1 million square feet of mainly historic non-residential space, a 332 slip marina, museum, the oldest operating lighthouse on the Chesapeake Bay, tremendous telecommunications infrastructure and convenient access to Interstate-64.

Fort Monroe's greatest asset is its history. The history of Old Point Comfort extends to the very beginning of the settlement of America. Captain John Smith and the early settlers visited Old Point Comfort before establishing the settlement in 1607. After surveying the area in 1608, Captain Smith pronounced this place a "little isle fit for a castle" and soon began the construction of Fort Algernourne in 1609 to protect the new settlement. This began a long line of fortifications on Old Point Comfort that culminated with the establishment of Fort Monroe as a response to the War of 1812, when the British sailed unencumbered to wreak havoc up the Virginia coast, culminating with the burning of Washington DC and the White House. Construction of Fort Monroe began in 1819 and was completed in 1834.

The history of African Americans and the struggle for freedom is uniquely woven into the historic fabric of this place. The first Africans were brought to Old Point Comfort as indentured servants in 1619. The seminal event of the Civil War also took place at Fort Monroe, where the war was transformed into a war for freedom on May 27, 1861, by Major General Benjamin Butler's "contraband" decision or "Fort Monroe Doctrine" where he declared that any slave who reached union lines would be considered contraband of war and not be returned to slavery.

Fort Monroe was identified for closure by the 2005 Base Realignment and Closure Commission and was closed by the Army on September 15, 2011. Since that time, the Commonwealth of Virginia and City of Hampton have been preparing for closure and reuse of the Fort to mitigate the impact of the lost economic activity from the closure. Approximately 371 of the 565 acres of the property automatically reverts to Commonwealth ownership based on deed language when it was originally conveyed to the federal government in the 1800s. The Commonwealth and Army are in negotiations over the disposition of the “non-reversionary” acres. As part of the State’s partnership with the City, it was agreed that the City would receive a Payment In Lieu Of Taxes (PILOT) to cover the costs of City services that Hampton provides to state controlled property at Fort Monroe. The PILOT is based on the City’s real estate tax assessment and tax rate as if it were any other private property in the City, but excludes any property owned by the federal government or used by the City.

The key priority of the City and Commonwealth has been to keep a living and vibrant community throughout the transition. On November 1, 2011, President Barack Obama took action to declare 245 acres of Fort Monroe a National Monument that will be managed by the National Park Service. Studies have shown the presence of a National Park increased the value of surrounding properties approximately 20%. Coupled with the history of Fort Monroe, the presence of the national park will also generate tourism to the City. The Fort Monroe Authority has also been successfully renting out the historic homes and has attracted some commercial tenants as well. Most of the existing developed area of the Fort will be subject to the PILOT and, in essence, be added to the City’s tax rolls.

Plan to Address Sea Level Rise and Other Resiliency Issues

In June 2015, Hampton partnered with the City of Norfolk and the Hampton Roads Planning District Commission to host a five day symposium and charette entitled: "Dutch Dialogue Hampton Roads: Living With the Water." The Dutch Dialogue concept was pioneered by partners in the New Orleans region as they struggled with life after Hurricane Katrina. Local experts partnered with the Royal Netherlands Embassy to engage Dutch experts to assist the New Orleans region in developing a resiliency plan for living with the water. Hampton and Hampton Roads have embarked on a similar path.

The five day session in June 2015 was a kick-off for this effort. At the close of this session, the mayors and city managers of Norfolk and Hampton pledged to take a leadership role in addressing sea level rise and other resiliency issues facing the region. Hampton is now in the process of assembling a consulting team comprised of key members of the Dutch Dialogue team including experts from the Netherlands. This team will assist Hampton and the region to develop a holistic plan to address sea level rise, re-occurring flooding and other resiliency issues. Partnerships will include working with the City of Norfolk, the Hampton Roads Region, the City of Newport News, the City of Poquoson as well as Langley Air Force Base, NASA Langley and research institutions like Old Dominion University, Hampton University, and the Virginia Institute of Marine Sciences.

Awards and Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to governmental units that publish an easily readable and efficiently organized Comprehensive Annual Financial Report that meets all generally accepted accounting principles and applicable legal requirements. The City of Hampton has received this award for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements. This report will also be submitted to the GFOA to determine its eligibility for a certificate.

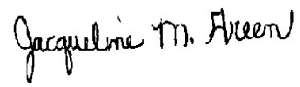
Acknowledgments

We acknowledge, with gratitude, the continued efficient and dedicated service rendered by the Finance Department staff and the assistance rendered by Cherry Bekaert LLP in keeping us in conformity with the rapidly changing accounting interpretations and principles. We also appreciate the responsible and progressive management program administered by your office and the members of the City Council.

Respectfully submitted,

A handwritten signature in purple ink that reads "Karl S. Daughtrey". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Karl S. Daughtrey
Director of Finance

A handwritten signature in black ink that reads "Jacqueline M. Green". The signature is cursive, with the first letters of the first and last names being capitalized and prominent.

Jacqueline M. Green
Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hampton
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in dark ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO

Report of Independent Auditor

Honorable Mayor and Members of City Council
City of Hampton, Virginia

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Downtown Hampton Development Partnership, Inc., which represents 1.2% and 0.3%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Downtown Hampton Development Partnership, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 16 to the financial statements, effective July 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Governmental Accounting Standards Board ("GASB") Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 18-24 and additional required supplementary information other than MD&A on pages 113-121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

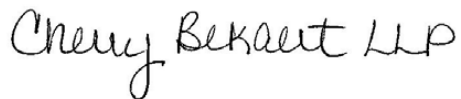
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements in Exhibits B – G, supplementary schedules in Schedules 1 – 15 and the statistical section in Tables I – XVI, as presented in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards in Schedule 5 is also presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The combining and individual nonmajor fund financial statements in Exhibits B – G and the supplementary schedules in Schedules 1 – 15 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements in Exhibits B – G and the supplementary schedules in Schedules 1 – 15 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section in Tables I – XVI have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, on our consideration of the City of Hampton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hampton's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cheryl Bekaert LLP".

Virginia Beach, Virginia
December 2, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Hampton's (City's) Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis (MD&A) of the City's financial performance during the fiscal year ended June 30, 2015. The MD&A should be read in conjunction with the transmittal letter and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund, on a current financial resource basis, reported expenditures in excess of revenues and other financing sources and uses by \$1.5 million (Exhibit A-4) after making a \$71.1 million payment to Hampton City Schools, \$12.9 million transfer to Capital Projects, \$8.6 million transfer to Enterprise Funds, \$2.2 million to Special Revenue Funds and \$33.4 million to Debt Service Fund.
- On a government-wide basis for governmental activities, the City's net position increased by \$0.038 million (Exhibit A-2).
- In the City's business-type activities, on a government-wide basis, net position increased by \$2.3 million (Exhibit A-2).
- The City's net position, excluding component units, on the government-wide basis, totaled \$667.2 million at June 30, 2015. Of this amount, \$(121.3) million represents the unrestricted net deficit (unrestricted net position - Exhibit A-1). The decrease in net position occurred as result of implementing GASB Statement No. 68, "Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68". A prior period adjustment was made to the City's July 1, 2014 net position. This prior period adjustment decreased the City's unrestricted net position by \$156,786,629.

USING THE FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report consists of four (4) sections: *introductory, financial, statistical and financial compliance reports for federal funds*. The financial section consists of three (3) sections: *management's discussion and analysis; basic financial statements; and supplementary information*.

GOVERNMENT-WIDE STATEMENTS

The *government-wide financial statements* are designed to provide the reader with a broad overview of the City of Hampton's finances, in a manner similar to a private-sector business. The *Statement of Net Position* (Exhibit A-1) presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources reported using the full accrual basis of accounting. The *Statement of Activities* (Exhibit A-2) presents all of the City's current year's revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the City's net position and changes in net position. The City's net position presents financial information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position are one indicator of whether its financial position is improving or deteriorating. However, other non-financial factors will need to be considered, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

In the *Statement of Net Position* (Exhibit A-1) and the *Statement of Activities* (Exhibit A-2), the City is divided into the following:

- Governmental activities – The City's basic municipal services are reported here, including general government, public safety, public works, human services, and culture and recreation. Property taxes, other local taxes and state and federal grants finance most of these activities.
- Business-type activities – The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City's coliseum, steam plant, golf courses, museum, convention center, sewer and trash collection operations are reported in this section.
- Component units – The City includes four separate legal entities in its report – the Hampton City School Board, Hampton Economic Development Authority, Coliseum Central Business Improvement District, Inc. and Downtown Hampton Development Partnership, Inc. Although legally separate, these component units are important because the City is financially accountable for these entities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more information about the City's most significant funds – not the City as a whole. Funds are accounting units that the City uses to keep track of specific sources of funding and spending for particular purposes. The City of Hampton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The City has three types of funds:

- **Governmental funds** – Most of the City's basic services are reported in governmental funds, which focus on (1) the inflows and outflows of cash and other financial assets that can readily be converted into cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements (Exhibits A-3, A-4 and A-5) provide a short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the future to finance the City's programs. Because this information does not address the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between these statements. The city maintains nine individual governmental funds.
- **Proprietary funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long and short-term financial information. The City's enterprise funds (one type of proprietary fund) are its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The City maintains eight individual enterprise funds. The City uses four internal service funds (the other type of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. These funds provide for the accumulation of money to replace capital equipment used in the City's operations, maintenance services for the City's vehicle fleet, risk management and computer and telecommunication services. The basic proprietary funds financial statements can be found in Exhibits A-6, A-7 and A-8 of this report.
- **Fiduciary funds** – The City is the trustee, or fiduciary, for its employees' pension plan. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and statements of changes in fiduciary net position. The City excludes these activities from the City's government-wide statements because the City cannot use these assets to finance its operations. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian. The basic fiduciary funds financial statements can be found in Exhibits A-9 and A-10 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I
Summary of Statement of Net Position (In Thousands)
June 30, 2015 and 2014

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Units | |
|---|-------------------------|------------|--------------------------|-----------|--------------------------|------------|-----------------|--------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current and other assets | \$ 231,956 | \$ 203,790 | \$ 52,941 | \$ 50,887 | \$ 284,897 | \$ 254,677 | \$ 50,741 | \$ 50,998 |
| Capital assets | 878,238 | 870,042 | 152,564 | 156,317 | 1,030,802 | 1,026,359 | 29,487 | 30,093 |
| Deferred outflows of resources | 26,215 | 21,818 | 6,647 | 6,765 | 32,862 | 28,583 | 20,086 | 13,732 |
| Total assets and deferred outflows of resources | 1,136,409 | 1,095,650 | 212,152 | 213,969 | 1,348,561 | 1,309,619 | 100,314 | 94,823 |
| Current liabilities | 73,915 | 64,152 | 8,257 | 8,491 | 82,172 | 72,643 | 26,141 | 23,553 |
| Long-term liabilities | 468,162 | 460,490 | 104,511 | 110,325 | 572,673 | 570,815 | 222,531 | 248,242 |
| Deferred inflows of resources | 24,658 | 1,372 | 1,883 | | 26,541 | 1,372 | 28,580 | |
| Total liabilities and deferred inflows of resources | 566,735 | 526,014 | 114,651 | 118,816 | 681,386 | 644,830 | 277,252 | 271,795 |
| Net position | | | | | | | | |
| Investment in capital assets | 634,537 | 623,505 | 70,321 | 70,855 | 704,858 | 694,360 | 29,487 | 30,093 |
| Restricted | 75,606 | 13,271 | 8,031 | 8,256 | 83,637 | 21,527 | 1,467 | 1,342 |
| Unrestricted | (140,469) | (67,140) | 19,149 | 16,042 | (121,320) | (51,098) | (207,892) | (208,407) |
| Total net position | \$ 569,674 | \$ 569,636 | \$ 97,501 | \$ 95,153 | \$ 667,175 | \$ 664,789 | \$ (176,938) | \$ (176,972) |

The City's combined net position (which is the City's bottom line) increased by \$2.4 million in fiscal year 2015 (excluding the restatement of net position) which approximately 12.5% represents resources that are subject to external restrictions. Net investment in capital assets represents 106% of net position. These assets are used to provide services to citizens and consequently are not available for future spending. The City's unrestricted net deficit totals \$(121.3) million.

Table II

Summary of Changes in Net Position (In Thousands)

For the Fiscal Years Ended June 30, 2015 and 2014

| | Governmental Activities | | Business-type Activities | | Total Primary Government | | Component Units | |
|--|-------------------------|-------------------|--------------------------|------------------|--------------------------|-------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenue: | | | | | | | | |
| Program Revenue | | | | | | | | |
| Charges for service | \$ 31,207 | \$ 32,635 | \$ 44,552 | \$ 42,941 | \$ 75,759 | \$ 75,576 | \$ 7,239 | \$ 6,142 |
| Operating grants and contributions | 80,281 | 80,434 | 1,256 | 1,832 | 81,537 | 82,266 | 145,225 | 146,407 |
| Capital grants and contributions | 7,153 | 18,291 | 58 | 114 | 7,211 | 18,405 | 711 | |
| General revenues | | | | | | | | |
| Property taxes | 156,048 | 156,050 | - | | 156,048 | 156,050 | - | |
| Other taxes | 75,826 | 75,811 | - | | 75,826 | 75,811 | - | |
| Other | 227 | 221 | 946 | 1,003 | 1,173 | 1,224 | 73,161 | 74,909 |
| Total revenues | <u>350,742</u> | <u>363,442</u> | <u>46,812</u> | <u>45,890</u> | <u>397,554</u> | <u>409,332</u> | <u>226,336</u> | <u>227,458</u> |
| Expenses | | | | | | | | |
| General government | 105,553 | 148,522 | - | | 105,553 | 148,522 | 5,575 | 9,285 |
| Public safety | 72,324 | 134,652 | - | | 72,324 | 134,652 | - | |
| Highways and streets | 14,433 | 20,534 | - | | 14,433 | 20,534 | - | |
| Sanitation | - | | 23,829 | 30,930 | 23,829 | 30,930 | - | |
| Health | 3,528 | 2,272 | - | | 3,528 | 2,272 | - | |
| Human services | 33,234 | 49,522 | - | | 33,234 | 49,522 | - | |
| Culture and recreation | 18,356 | 26,342 | 29,741 | 35,538 | 48,097 | 61,880 | - | |
| Education - payment to school board | 71,112 | 70,773 | - | | 71,112 | 70,773 | - | |
| Educational | 14,479 | 14,846 | - | | 14,479 | 14,846 | 220,727 | 434,389 |
| Interest on long-term debt | 8,579 | 9,136 | - | | 8,579 | 9,136 | - | |
| Total expenses | <u>341,598</u> | <u>476,599</u> | <u>53,570</u> | <u>66,468</u> | <u>395,168</u> | <u>543,067</u> | <u>226,302</u> | <u>443,674</u> |
| Increase (decrease) in net position before transfers | 9,144 | (113,157) | (6,758) | (20,578) | 2,386 | (133,735) | 34 | (216,216) |
| Transfers | <u>(9,106)</u> | <u>(9,161)</u> | <u>9,106</u> | <u>9,161</u> | | | | |
| Increase (decrease) in net position | 38 | (122,318) | 2,348 | (11,417) | 2,386 | (133,735) | 34 | (216,216) |
| Net position, as restated, July 1 | <u>569,636</u> | <u>691,954</u> | <u>95,153</u> | <u>106,570</u> | <u>664,789</u> | <u>798,524</u> | <u>(176,972)</u> | <u>39,244</u> |
| Net position, June 30 | <u>\$ 569,674</u> | <u>\$ 569,636</u> | <u>\$ 97,501</u> | <u>\$ 95,153</u> | <u>\$ 667,175</u> | <u>\$ 664,789</u> | <u>\$ (176,938)</u> | <u>\$ (176,972)</u> |

GOVERNMENTAL ACTIVITIES

For the fiscal year ended June 30, 2015, revenues from governmental activities totaled \$351 million. Revenues from governmental activities decreased by \$12.7 million; primarily in capital grants and contributions. Capital grants and contributions totaled \$7 million, a decrease of \$11 million over the prior year. The majority of funding in capital grants and contributions consists of federal and state funding for various road projects throughout the City.

Property taxes, the City's largest revenue source, were \$156 million, remaining flat with fiscal year 2014. Program revenues for governmental activities totaled \$119 million. Program revenues are derived from the program itself and reduce the cost of the function to the City. One of the most significant of these revenues is the revenue category "Operating Grants and Contributions". These revenues totaled \$80.3 million for the year ended June 30, 2015 which is in line with the previous year.

The other taxes revenue category, which includes taxes on general sales, utilities purchases, cigarettes, hotel rooms, restaurant meals, amusements, and business and automobile licenses, totaled \$75.8 million which is consistent with the previous year.

For the fiscal year ended June 30, 2015, expenditures for governmental activities, excluding transfers, totaled \$341.6 million, a decrease of \$135 million over the previous year. The majority of this decrease occurred in the general government, public safety, and human services categories primarily due to a restatement of the pension expense totaling \$143.7 million for fiscal year 2014. This restatement was required due to the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Transition for Contributions Made Subsequent to the Measurement Date. Also, contributing to this variance is a \$3.5 million decrease in interest on long-term debt in fiscal year 2015.

BUSINESS-TYPE ACTIVITIES

Business-type activities generated revenues of \$46.8 million, an increase of \$.9 million when compared to the previous year. The majority of this change is attributed to a \$1.6 million increase in charges for services and a \$.6 million decrease in operating grants and contributions revenues. Expenses for business-type activities totaled \$53.6 million, a decrease of \$12.9 million when compared to the previous year. The majority of this decrease is attributed to the restatement of pension expense totaling \$13.1 million for fiscal year 2014.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund's fund balance increased by \$1.5 million over fiscal year 2014. This increase is primarily due to unexpended appropriations for the year, primarily in the funding of uncompleted capital projects that were carried forward to fiscal year 2016.

The Capital Projects Fund reflected an increase in fund balance of \$25.3 million. This increase in fund balance resulted from the issuance of \$46.8 million in General Obligation Public Improvement Bonds on April 23, 2015 to finance general capital improvements of the City.

The Wastewater Fund recorded an increase in net position of \$2 million in fiscal year 2015. This increase is primarily due to personnel savings from job vacancies and fewer than anticipated consent order projects occurring in fiscal year 2015. The DEQ's regional consent order is designed to address sanitary sewer overflows.

The Risk Management Fund net position decreased by \$9.1 million due to an increase in claims incurred during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the City Council revised the budget on several occasions. City Council appropriated \$9.9 million from committed fund balance to fund uncompleted projects in the Capital Projects Fund. These projects were funded from the General Fund in fiscal year 2014 but the appropriations lapsed at the end of the fiscal year. Under the City's budget savings program, the remaining budget savings of \$2 million was rolled from fiscal year 2014 to fiscal year 2015. City Council adopted a budget savings program whereby departments will retain 65 percent of their end of the fiscal year budget savings, 10 percent will be put into an innovations pool and \$415,000 will be designated for drainage projects. In addition, the City reappropriated grant, donation, and other revenues.

Actual expenditures and transfers were \$17.8 million below the final budget. A significant amount of this variance (\$6.6 million) occurred in the general government function, specifically in non-departmental in the amount of \$2.5 million and retirement and employee benefits in the amount of \$1.3 million. Also contributing to this variance was unused budget savings under the City's budget savings program of \$2 million. A \$7.8 million variance was noted in transfers to other funds. The majority of this variance occurred from projects in the Capital Projects Fund that were at various stages of completion. Typically, funding for these projects is appropriated in the subsequent fiscal year.

Revenues came in at \$1.4 million under budget. This is primarily due to state revenues tracking under budget. Most of this is related to the Social Services function whereby reimbursements are based on expenditures.

CAPITAL ASSETS

The total increase over fiscal year 2014 in the City's investment in capital assets for the current fiscal year is \$4.4 million. At the end of fiscal year 2015, the City had invested over \$1 billion in a variety of capital assets and infrastructure, as reflected in the following schedule:

Table III Capital Assets (In Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|------------------------------------|-------------------|-------------------------------------|-------------------|--------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Non-depreciable assets: | | | | | | |
| Land and land improvements | \$ 522,896 | \$ 519,891 | \$ 10,803 | \$ 10,806 | \$ 533,699 | \$ 530,697 |
| Easements | 1,341 | 778 | 29 | 29 | 1,370 | 807 |
| Construction in progress | 50,629 | 32,941 | 3,712 | 1,706 | 54,341 | 34,647 |
| Other capital assets: | | | | | | |
| Buildings and improvements | 168,816 | 168,816 | 138,785 | 137,762 | 307,601 | 306,578 |
| Improvements other than buildings | 71,923 | 70,571 | 34,985 | 36,446 | 106,908 | 107,017 |
| Equipment and vehicles | 81,433 | 81,556 | 25,728 | 26,732 | 107,161 | 108,288 |
| Exhibits | - | - | 14,432 | 14,413 | 14,432 | 14,413 |
| Landfill | - | - | 3,866 | 3,866 | 3,866 | 3,866 |
| Infrastructure | 182,031 | 181,884 | 67,160 | 66,909 | 249,191 | 248,793 |
| Computer software | 1,322 | 1,323 | 344 | 118 | 1,666 | 1,441 |
| Other assets | 4,218 | 4,218 | - | - | 4,218 | 4,218 |
| Accumulated depreciation | (206,371) | (191,936) | (147,280) | (142,470) | (353,651) | (334,406) |
| Total | <u>\$ 878,238</u> | <u>\$ 870,042</u> | <u>\$ 152,564</u> | <u>\$ 156,317</u> | <u>\$1,030,802</u> | <u>\$1,026,359</u> |

| | School Board | | Economic Development Authority | | Coliseum Central Business Improvement District, Inc. | |
|-----------------------------------|---------------------|------------------|---|------------------|---|--------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Component Units | | | | | | |
| Non-depreciable assets: | | | | | | |
| Land and land improvements | \$ 5,111 | \$ 5,111 | \$ 15,803 | \$ 15,803 | \$ - | \$ - |
| Other capital assets: | | | | | | |
| Buildings and improvements | 48,963 | 48,963 | - | - | - | - |
| Improvements other than buildings | 310 | 310 | - | - | - | - |
| Infrastructure | - | - | 2,049 | 2,049 | - | - |
| Computer software | - | - | - | - | 5 | 10 |
| Equipment and vehicles | 42,386 | 41,549 | - | - | 147 | 141 |
| Accumulated depreciation | (84,308) | (82,972) | (1,169) | (1,066) | (119) | (105) |
| Total | <u>\$ 12,462</u> | <u>\$ 12,961</u> | <u>\$ 16,683</u> | <u>\$ 16,786</u> | <u>\$ 33</u> | <u>\$ 46</u> |

| | Downtown Hampton | | Total Component Units | |
|-----------------------------------|-------------------------|---------------|----------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Component Units | | | | |
| Non-depreciable assets: | | | | |
| Land and land improvements | \$ - | \$ - | \$ 20,914 | \$ 20,914 |
| Other capital assets: | | | | |
| Buildings and improvements | - | - | 48,963 | 48,963 |
| Improvements other than buildings | - | - | 310 | 310 |
| Infrastructure | 438 | 438 | 2,487 | 2,487 |
| Computer software | 9 | - | 14 | 10 |
| Equipment and vehicles | 97 | 122 | 42,630 | 41,812 |
| Accumulated depreciation | (235) | (260) | (85,831) | (84,403) |
| | <u>\$ 309</u> | <u>\$ 300</u> | <u>\$ 29,487</u> | <u>\$ 30,093</u> |

The capital budget sets forth \$48.8 million to be spent during fiscal year 2016 in various projects including \$12.4 million in school building maintenance and technology projects, \$15.6 million in street and infrastructure projects and \$10.6 million in maintenance of public properties. Additional information about the City's capital assets can be found in Note 6 to the financial statements.

LONG-TERM DEBT

At the end of fiscal year 2015, the City had \$273.8 million in outstanding general obligation bonds and \$81.6 million in outstanding revenue bonds. On April 15, 2015, The City issued \$46.8 million in General Obligation Public Improvement Bonds, Series 2015A and \$56.3 million in General Obligation Public Improvement Refunding Bonds, Series 2015B. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to 10% of the assessed valuation of real property. As of June 30, 2015, the City's aggregate general obligation indebtedness is \$744 million below this limit.

Table IV
City of Hampton
Change in General Obligation and Revenue Bonds (In Thousands)
June 30, 2015 and 2014

| | Governmental Activities | | Business-type Activities | | Total | |
|--|------------------------------------|-------------------|-------------------------------------|------------------|-------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| General Obligation bonds | \$ 270,230 | \$ 253,682 | \$ 3,610 | \$ 3,963 | \$ 273,840 | \$ 257,645 |
| Revenue bonds | - | - | 81,640 | 83,965 | 81,640 | 83,965 |
| Unamortized premium | 35,831 | 18,479 | 10,322 | 10,958 | 46,153 | 29,437 |
| Total primary government | <u>\$ 306,061</u> | <u>\$ 272,161</u> | <u>\$ 95,572</u> | <u>\$ 98,886</u> | <u>\$ 401,633</u> | <u>\$ 371,047</u> |
| Component Unit - Economic Development Authority | | | | | | |
| Revenue bonds | | | | | <u>\$ 5,022</u> | <u>\$ 5,667</u> |

NEXT YEAR'S BUDGET

The City's staff and City Council considered many factors when developing the fiscal year 2016 budget, with the economy as one of the major factors. The fiscal year 2016 approved budget for the General Fund is \$450.4 million, a 0.38% decrease over fiscal year 2015. The most important priority for the fiscal year 2016 budget was a general wage increase for the City staff and the initial implementation of some of the recommendations from the salary study. Tax and fee rate changes included an increase in the Cigarette Tax rate from \$.80 per pack to \$.85 per pack and an increase in the Public Right-Of Way Use Fee from \$1.02 per line per month to \$1.05 per line per month. In addition, a Boat License Fee was implemented: \$20 for motorized boats less than 16 feet, \$40 for all boats and watercraft from 16 feet but less than 20 feet, \$75 for all boats and watercraft from 20 to less than 40 feet and \$150 for boats and watercraft over 40 feet.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Karl S. Daughtrey, Director of Finance, 22 Lincoln Street, 7th Floor, Hampton, Virginia 23669, telephone (757) 727-6230.

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**City of Hampton
Statement of Net Position
June 30, 2015**

| | Primary Government | | | |
|--|------------------------------------|-------------------------------------|-------------------------------------|-------------------------|
| | Governmental Activities | Business-Type Activities | Total Primary Government | Component Units |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 127,681,857 | \$ 22,498,950 | \$ 150,180,807 | \$ 15,884,680 |
| Cash with fiscal agent | 230,868 | | 230,868 | 11,980,833 |
| Investments | 79,988,463 | | 79,988,463 | 20,246 |
| Accounts receivable | 30,381,379 | 4,185,843 | 34,567,222 | 740,784 |
| Lease receivable | | | | 5,940,356 |
| Due from component units | 384,935 | 19,819 | 404,754 | |
| Due from primary government | | | | 7,187 |
| Internal balances | (7,595,810) | 7,595,810 | | |
| Due from other governments | | | | 7,105,808 |
| Inventories | 143,886 | 372,433 | 516,319 | 138,798 |
| Prepaid items | 740,240 | 9,010 | 749,250 | 23,777 |
| Temporarily restricted assets: | | | | |
| Cash and cash equivalents | | 1,719,417 | 1,719,417 | 1,466,921 |
| Cash with fiscal agent | | 1,579,964 | 1,579,964 | |
| Investments | | 14,951,359 | 14,951,359 | |
| Notes receivable | | 8,708 | 8,708 | 389,667 |
| Land held for sale | | | | 7,041,877 |
| Capital assets not being depreciated | 574,866,600 | 14,544,797 | 589,411,397 | 20,913,814 |
| Capital assets, net of accumulated depreciation | 303,371,704 | 138,019,005 | 441,390,709 | 8,572,807 |
| Total assets | <u>1,110,194,122</u> | <u>205,505,115</u> | <u>1,315,699,237</u> | <u>80,227,555</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred charge on refunding | 10,176,070 | 5,206,687 | 15,382,757 | |
| Related to pensions | 16,038,763 | 1,440,580 | 17,479,343 | 20,086,429 |
| Total deferred outflows of resources | <u>26,214,833</u> | <u>6,647,267</u> | <u>32,862,100</u> | <u>20,086,429</u> |
| LIABILITIES | | | | |
| Accounts payable and other liabilities | \$ 33,167,425 | \$ 2,927,162 | \$ 36,094,587 | \$ 21,482,924 |
| Due to component units | 7,187 | | 7,187 | |
| Due to primary government | | | | 404,754 |
| Unearned revenue | 150,407 | 241,806 | 392,213 | 1,193,748 |
| Current liabilities payable from restricted assets | | 1,288,593 | 1,288,593 | |
| Notes and other long-term payables | | | | |
| Due within one year | 15,391,443 | 354,743 | 15,746,186 | 2,373,000 |
| Due in more than one year | 187,300,290 | 12,383,448 | 199,683,738 | 218,195,969 |
| Bonds Payable | | | | |
| Due within one year | 25,198,869 | 3,445,077 | 28,643,946 | 686,603 |
| Due in more than one year | 280,861,749 | 92,127,370 | 372,989,119 | 4,335,289 |
| Total liabilities | <u>542,077,370</u> | <u>112,768,199</u> | <u>654,845,569</u> | <u>248,672,287</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property taxes collected in advance | 1,620,607 | | 1,620,607 | |
| Related to pensions | 23,037,037 | 1,883,017 | 24,920,054 | 28,579,714 |
| Total deferred inflows of resources | <u>24,657,644</u> | <u>1,883,017</u> | <u>26,540,661</u> | <u>28,579,714</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 634,536,490 | 70,320,529 | 704,857,019 | 29,486,621 |
| Restricted for: | | | | |
| Capital projects | 61,602,284 | | 61,602,284 | |
| Debt service | 80,288 | | 80,288 | |
| Public safety projects | 1,069,970 | | 1,069,970 | |
| Stormwater management | 9,937,531 | | 9,937,531 | |
| Human services | 439,292 | | 439,292 | |
| Bond indenture | | 8,031,275 | 8,031,275 | 1,466,921 |
| Culture and recreation | 99,959 | | 99,959 | |
| Physical environment | 129,854 | | 129,854 | |
| Education | 6 | | 6 | |
| Community development | 866,262 | | 866,262 | |
| Operations and maintenance | 316 | | 316 | |
| Other purposes | 1,380,732 | | 1,380,732 | |
| Unrestricted | (140,469,043) | 19,149,362 | (121,319,681) | (207,891,559) |
| Total net position (deficit) | <u>\$ 569,673,941</u> | <u>\$ 97,501,166</u> | <u>\$ 667,175,107</u> | <u>\$ (176,938,017)</u> |

The accompanying notes are an integral part of these financial statements.

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CITY OF HAMPTON, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2015

| | | Program Revenues | | | Net (Expenses) Revenue and Change in Net Position | | | |
|---|----------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------|-----------------|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary Government | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 105,552,645 | \$ 22,911,078 | \$ 34,143,045 | \$ 1,395,761 | \$ (47,102,761) | | \$ (47,102,761) | \$ |
| Public safety | 72,324,252 | 5,727,330 | 9,388,549 | | (57,208,373) | | (57,208,373) | |
| Highways and streets | 14,433,252 | | 15,160,821 | 5,757,026 | 6,484,595 | | 6,484,595 | |
| Health | 3,527,913 | | | | (3,527,913) | | (3,527,913) | |
| Human services | 33,233,678 | 1,424,996 | 20,981,251 | | (10,827,431) | | (10,827,431) | |
| Culture and recreation | 18,356,412 | 1,110,781 | 183,552 | | (17,062,079) | | (17,062,079) | |
| Education(payment to school district) | 71,112,223 | | | | (71,112,223) | | (71,112,223) | |
| Education and educational services | 14,479,052 | 33,724 | 163,524 | | (14,281,804) | | (14,281,804) | |
| Interest on long-term debt | 8,579,095 | | 260,335 | | (8,318,760) | | (8,318,760) | |
| Total Governmental Activities | 341,598,522 | 31,207,909 | 80,281,077 | 7,152,787 | (222,956,749) | | (222,956,749) | |
| Business-type activities | | | | | | | | |
| Culture and recreation | \$ 29,741,212 | \$ 19,406,969 | \$ 1,256,114 | \$ 58,437 | | \$ (9,019,692) | \$ (9,019,692) | |
| Sanitation | 23,829,101 | 25,145,460 | | | | 1,316,359 | 1,316,359 | |
| Total Business-type activities | 53,570,313 | 44,552,429 | 1,256,114 | 58,437 | | (7,703,333) | (7,703,333) | |
| Total Primary Government | \$ 395,168,835 | \$ 75,760,338 | \$ 81,537,191 | \$ 7,211,224 | \$ (222,956,749) | \$ (7,703,333) | \$ (230,660,082) | \$ |
| Component units | | | | | | | | |
| Public school system | \$ 220,727,045 | \$ 5,254,375 | \$ 145,022,308 | \$ | | | | \$ (70,450,362) |
| Economic development | 3,985,585 | 1,101,055 | | 711,000 | | | | (2,173,530) |
| Business improvement | 946,857 | 579,104 | | | | | | (367,753) |
| Downtown development | 642,619 | 303,607 | 203,084 | | | | | (135,928) |
| Total component units | \$ 226,302,106 | \$ 7,238,141 | \$ 145,225,392 | \$ 711,000 | \$ | \$ | \$ | \$ (73,127,573) |
| General revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Property taxes | | | | | \$ 156,048,023 | \$ | \$ 156,048,023 | \$ |
| Sales taxes | | | | | 15,050,331 | | 15,050,331 | |
| Lodging, meal and amusement taxes | | | | | 24,040,695 | | 24,040,695 | |
| Motor vehicle taxes | | | | | 4,273,362 | | 4,273,362 | |
| Business license taxes | | | | | 11,435,245 | | 11,435,245 | |
| Utility taxes | | | | | 5,442,812 | | 5,442,812 | |
| Tobacco taxes | | | | | 4,077,120 | | 4,077,120 | |
| Recordation taxes | | | | | 1,762,614 | | 1,762,614 | |
| Bank stock taxes | | | | | 456,550 | | 456,550 | |
| Pari-mutuel license taxes | | | | | 3,557 | | 3,557 | |
| Short-term rental taxes | | | | | 91,234 | | 91,234 | |
| Communication sales tax | | | | | 9,172,979 | | 9,172,979 | |
| Mobile home titling tax | | | | | 19,404 | | 19,404 | |
| Payments from (to) City of Hampton | | | | | | | | 72,741,559 |
| Investment earnings | | | | | 226,708 | 945,722 | 1,172,430 | 405,734 |
| Miscellaneous | | | | | | | | 13,814 |
| Transfers | | | | | (9,106,079) | 9,106,079 | - | |
| Total general revenues and transfers | | | | | 222,994,555 | 10,051,801 | 233,046,356 | 73,161,107 |
| Change in net position | | | | | 37,806 | 2,348,468 | 2,386,274 | 33,534 |
| Net position(deficit), beginning of year, as restated | | | | | 569,636,135 | 95,152,698 | 664,788,833 | (176,971,551) |
| Net position(deficit), ending | | | | | \$ 569,673,941 | \$ 97,501,166 | \$ 667,175,107 | \$(176,938,017) |

The accompanying notes are an integral part of these financial statements.

CITY OF HAMPTON, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

| | General Fund | Special Revenue- Economic Development | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|-----------------------|--|-------------------|----------------------|--------------------------------|--------------------------------|
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 83,820,692 | \$ 6,112,541 | \$ 555,844 | \$ | \$ 10,937,470 | \$ 101,426,547 |
| Investments | 14,000,458 | | | 65,988,005 | | 79,988,463 |
| Accounts receivables: | | | | | | |
| Taxes(net of allowance of uncollectible) | 9,418,807 | | | | | 9,418,807 |
| Due from other governments | 10,359,639 | | | 5,621,018 | 2,859,325 | 18,839,982 |
| Other | 1,141,836 | 7,005 | 87 | | 936,622 | 2,085,550 |
| Due from other funds | 9,937,252 | | | 3,038,605 | 424,578 | 13,400,435 |
| Due from component units | 1,777 | 200,000 | | - | | 201,777 |
| Inventories | 13,849 | | | | | 13,849 |
| Prepaid items | 584,475 | | | | | 584,475 |
| Total assets | <u>\$ 129,278,785</u> | <u>\$ 6,319,546</u> | <u>\$ 555,931</u> | <u>\$ 74,647,628</u> | <u>\$ 15,157,995</u> | <u>\$ 225,959,885</u> |
| Liabilities: | | | | | | |
| Accounts payable | \$ 8,314,088 | \$ 25,000 | \$ 39,613 | \$ 4,277,682 | \$ 1,211,102 | \$ 13,867,485 |
| Accrued health insurance | 11,039,493 | | | | | 11,039,493 |
| Accrued liabilities | 3,432,744 | | | | 51,668 | 3,484,412 |
| Due to other funds | 3,785,031 | | | 2,916,762 | 952,477 | 7,654,270 |
| Due to component units | 7,187 | | | | | 7,187 |
| Unearned revenue | 150,406 | 6,185 | | | | 156,591 |
| Total liabilities | <u>26,728,949</u> | <u>31,185</u> | <u>39,613</u> | <u>7,194,444</u> | <u>2,215,247</u> | <u>36,209,438</u> |
| Deferred inflows of resources: | | | | | | |
| Unavailable revenue-property taxes | 7,611,036 | | | | | 7,611,036 |
| Property taxes collected in advance | 1,620,607 | | | | | 1,620,607 |
| Unavailable revenue-program income | | | | | 705,850 | 705,850 |
| Unavailable revenue-stormwater fees | | | | | 431,370 | 431,370 |
| Total deferred inflows of resources | <u>9,231,643</u> | | | | <u>1,137,220</u> | <u>10,368,863</u> |
| Fund balances: | | | | | | |
| Nonspendable | 598,324 | | | | | 598,324 |
| Restricted | 412,117 | 851,498 | 80,288 | 1,454,819 | 11,720,656 | 14,519,378 |
| Committed | 34,959,103 | 2,577,572 | | 63,957,448 | | 101,494,123 |
| Assigned | 5,236,726 | 2,859,291 | 436,030 | 2,040,917 | 84,872 | 10,657,836 |
| Unassigned | 52,111,923 | | | | | 52,111,923 |
| Total fund balances | <u>93,318,193</u> | <u>6,288,361</u> | <u>516,318</u> | <u>67,453,184</u> | <u>11,805,528</u> | <u>179,381,584</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 129,278,785</u> | <u>\$ 6,319,546</u> | <u>\$ 555,931</u> | <u>\$ 74,647,628</u> | <u>\$ 15,157,995</u> | <u>\$ 225,959,885</u> |

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position (Exhibit A-1)

| | |
|---|-----------------------|
| Total fund balances of governmental funds | \$ 179,381,584 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 6) | 859,409,349 |
| Other assets are not available to pay current-period expenditures and, therefore, are deferred in the funds. | 8,754,439 |
| Deferred charge on refunding are reported as deferred outflows of resources in the government-wide financial statements but are not reported in the governmental fund statements. | 10,176,070 |
| Deferred outflows of resources related to pensions are reported in the government-wide financial statements but are not reported in the governmental fund statements | 16,038,763 |
| Deferred inflows of resources related to pensions are reported in the government-wide financial statements but are not reported in the governmental fund statements | (23,037,037) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. | |
| Net position on Combining Statement of Net Position-Internal Service Funds (Exhibit E-1) | 25,540,507 |
| Internal service funds deferred outflows of resources related to pensions are reported in the government-wide financial statements but are not reported in the governmental fund statements | (278,470) |
| Internal service funds deferred inflows of resources related to pensions are reported in the government-wide financial statements but are not reported in the governmental fund statements | 439,198 |
| Other liabilities not paid from current-period revenues are not reported in the funds for: | |
| Accrued interest | (3,632,018) |
| Interfund balances related to amounts eliminated in the Statement of Net Position | (13,405,480) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds. (Note 8) | <u>(489,712,964)</u> |
| Net position of governmental activities | <u>\$ 569,673,941</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

| | General Fund | Special Revenue- Economic Development | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--|---------------------|----------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | | |
| General property taxes | \$ 155,527,304 | \$ | \$ | \$ | \$ | \$ 155,527,304 |
| Other local taxes | 75,405,819 | | | | | 75,405,819 |
| Special assessments | 4,182,877 | | | | | 4,182,877 |
| Intergovernmental revenues: | | | | | | |
| From the Commonwealth of Virginia | 53,025,330 | 500,000 | | 1,672,277 | 10,951,606 | 66,149,213 |
| From the Federal government | 9,091,195 | | 251,711 | 4,399,750 | 4,273,466 | 18,016,122 |
| Permits, privilege fees and regulatory licenses | 1,298,883 | | | | | 1,298,883 |
| Fines and forfeitures | 1,967,230 | | | | | 1,967,230 |
| Revenues from use of money and property | 454,122 | 1,235,251 | 408 | 57,413 | 395,210 | 2,142,404 |
| Charges for services | 9,231,186 | | | | 8,008,433 | 17,239,619 |
| Payment from component units | 2,000,042 | | | | | 2,000,042 |
| Miscellaneous | 4,012,640 | | 8,624 | 134,984 | 1,372,289 | 5,528,537 |
| Recovered costs | 906,000 | | | | | 906,000 |
| Total revenues | <u>317,102,628</u> | <u>1,735,251</u> | <u>260,743</u> | <u>6,264,424</u> | <u>25,001,004</u> | <u>350,364,050</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 101,211,513 | 1,056,901 | | | 3,805,669 | 106,074,083 |
| Public safety | 48,021,370 | | | | 5,469,604 | 53,490,974 |
| Highways and streets | 1,908,348 | | | | | 1,908,348 |
| Sanitation | | | | | 4,412,541 | 4,412,541 |
| Health | 2,604,809 | | | | | 2,604,809 |
| Human services | 19,034,980 | | | | 10,358,865 | 29,393,845 |
| Culture and recreation | 12,521,859 | | | | 203,292 | 12,725,151 |
| Education (payment to school district) | 71,112,223 | | | | | 71,112,223 |
| Education and education services | 2,128,797 | | | | | 2,128,797 |
| Capital improvements | | | | 48,448,547 | | 48,448,547 |
| Debt Service: | | | | | | |
| Principal retirement | | | 23,152,483 | | | 23,152,483 |
| Interest and fiscal charges | | | 10,899,116 | | | 10,899,116 |
| Bond issuance costs | | | 519,407 | | | 519,407 |
| Total expenditures | <u>258,543,899</u> | <u>1,056,901</u> | <u>34,571,006</u> | <u>48,448,547</u> | <u>24,249,971</u> | <u>366,870,324</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>58,558,729</u> | <u>678,350</u> | <u>(34,310,263)</u> | <u>(42,184,123)</u> | <u>751,033</u> | <u>(16,506,274)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bonds issued | | | | 46,770,000 | | 46,770,000 |
| Refunding bonds issued | | | 56,250,000 | | | 56,250,000 |
| Premium on bonds issued | | | 14,425,435 | 7,258,679 | | 21,684,114 |
| Payment to refunded bond escrow agent | | | (70,150,935) | | | (70,150,935) |
| Transfers in | 117,340 | | 33,799,820 | 14,098,702 | 2,273,130 | 50,288,992 |
| Transfers out | (57,133,811) | (2,250) | | (668,596) | (1,590,414) | (59,395,071) |
| Net other financing sources (uses) | <u>(57,016,471)</u> | <u>(2,250)</u> | <u>34,324,320</u> | <u>67,458,785</u> | <u>682,716</u> | <u>45,447,100</u> |
| Net change in fund balances | <u>1,542,258</u> | <u>676,100</u> | <u>14,057</u> | <u>25,274,662</u> | <u>1,433,749</u> | <u>28,940,826</u> |
| Fund balances, beginning of year | <u>91,775,935</u> | <u>5,612,261</u> | <u>502,261</u> | <u>42,178,522</u> | <u>10,371,779</u> | <u>150,440,758</u> |
| Fund balances, end of year | <u>\$ 93,318,193</u> | <u>\$ 6,288,361</u> | <u>\$ 516,318</u> | <u>\$ 67,453,184</u> | <u>\$ 11,805,528</u> | <u>\$ 179,381,584</u> |

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
(Exhibit A-2)**

| | |
|---|------------------|
| Net change in fund balance - total governmental funds | \$ 28,940,826 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Loss on disposal of assets is not reported in the governmental funds but is reflected in the statement of activities. | |
| Capital acquisitions | 25,807,564 |
| Depreciation expense | (18,103,733) |
| Loss on disposal of assets | (1,518,582) |
| Donated assets are not reported in the governmental funds but are reflected in the statement of activities. | 274,154 |
| Revenues earned during the period that are not yet available are reported in the Statement of Activities, but not reported as revenues in the funds. | (93,391) |
| Proceeds from bond issuance and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | |
| Debt increase for compensated absences | (613,436) |
| Net other postemployment benefits liability | (3,187,717) |
| Proceeds from debt issuance | (103,020,000) |
| Payment to refunded bond escrow agent | 70,150,935 |
| Repayment of debt principal | 24,648,692 |
| Premium on bonds | (21,684,114) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities. | (9,723,146) |
| Expenses incurred during the period related to liabilities that are still outstanding and not yet due at year-end for accrued interest | 766,958 |
| Amortization of premiums | 679,145 |
| Change in net pension liability which is recognized as an expense in the Statement of Activities as a compared to the pension contributions reported in the governmental funds | <u>6,713,651</u> |
| Change in net position of governmental activities | <u>\$ 37,806</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2015

| | Budgeted Amounts | | | Variance with Final Budget |
|--|-------------------------|---------------------|----------------------|---------------------------------------|
| | Original | Final | Actual | Over (Under) |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| From the Commonwealth of Virginia | \$ 38,590,598 | \$ 54,457,598 | \$ 53,025,330 | \$ (1,432,268) |
| From the Federal government | 8,780,939 | 8,780,939 | 9,091,195 | 310,256 |
| Local taxes | 246,624,727 | 230,405,798 | 230,933,123 | 527,325 |
| Special assessments | 4,826,635 | 4,826,635 | 4,182,877 | (643,758) |
| Licenses and permits | 1,234,019 | 1,234,019 | 1,298,883 | 64,864 |
| Fines and forfeitures | 2,242,118 | 2,242,118 | 1,967,230 | (274,888) |
| Revenues from use of money and property | 364,707 | 364,707 | 454,122 | 89,415 |
| Charges for services | 9,454,149 | 9,454,149 | 9,231,186 | (222,963) |
| Recovered costs | 906,000 | 906,000 | 906,000 | |
| Payment from component units | 2,000,000 | 2,000,000 | 2,000,042 | 42 |
| Miscellaneous | 3,864,157 | 3,864,157 | 4,012,640 | 148,483 |
| Total revenues | 318,888,049 | 318,536,120 | 317,102,628 | (1,433,492) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 105,436,121 | 107,787,095 | 101,211,513 | (6,575,582) |
| Public safety | 48,562,820 | 48,898,856 | 48,021,370 | (877,486) |
| Highways and streets | 2,142,124 | 2,202,854 | 1,908,348 | (294,506) |
| Health | 2,720,115 | 2,752,174 | 2,604,809 | (147,365) |
| Human services | 20,628,333 | 20,494,218 | 19,034,980 | (1,459,238) |
| Culture and recreation | 12,763,756 | 13,171,345 | 12,521,859 | (649,486) |
| Education | 72,787,630 | 73,297,236 | 73,241,020 | (56,216) |
| Total expenditures | 265,040,899 | 268,603,778 | 258,543,899 | (10,059,879) |
| Excess of revenues over (under) expenditures | 53,847,150 | 49,932,342 | 58,558,729 | 8,626,387 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 116,000 | 116,000 | 117,340 | 1,340 |
| Transfers out | (61,974,587) | (64,898,192) | (57,133,811) | (7,764,381) |
| Total other financing sources (uses) | (61,858,587) | (64,782,192) | (57,016,471) | (7,765,721) |
| Net change in fund balances | (8,011,437) | (14,849,850) | 1,542,258 | \$ 16,392,108 |
| Appropriations from fund balance | 8,011,437 | 14,129,475 | | |
| Appropriations - encumbrances | | 720,376 | | |
| Fund balance - July 1 | | | 91,775,935 | |
| Fund balance - June 30 | \$ | \$ | \$ 93,318,193 | |

The accompanying notes are an integral part of these financial statements.

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CITY OF HAMPTON, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

| | Business-Type Activities - Enterprise Funds | | | | | Governmental Activities | |
|--|---|--------------------|---------------------|---------------------|----------------------------|-------------------------|------------------------|
| | Wastewater Management | The Hamptons | Museum | Convention Center | Non-Major Enterprise Funds | Totals | Internal Service Funds |
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 12,288,174 | \$ 21,680 | \$ 709,134 | \$ | \$ 9,479,961 | \$ 22,498,949 | \$ 26,255,310 |
| Cash with fiscal agent | | | | | | | 230,868 |
| Restricted assets to be used to liquidate current liabilities: | | | | | | | |
| Revenue bond indenture: | | | | | | | |
| Cash and cash equivalents | | | | 1,397,992 | | 1,397,992 | |
| Cash with fiscal agent | | | | 1,579,964 | | 1,579,964 | |
| Accounts receivable | 1,744,893 | 5,108 | 140,011 | 269,093 | 2,026,738 | 4,185,843 | 37,043 |
| Notes and mortgage receivable | 8,708 | | | | | 8,708 | |
| Due from other funds | 3,606 | 80 | | 182,305 | | 185,991 | 65,430 |
| Due from component units | | | | | 19,819 | 19,819 | 183,158 |
| Inventories | 178,296 | 26,869 | 72,066 | | 95,202 | 372,433 | 130,037 |
| Prepaid items | | | 2,951 | 6,059 | | 9,010 | 155,766 |
| Restricted assets: | | | | | | | |
| Revenue bond indenture: | | | | | | | |
| Cash and cash equivalents | | | | 321,425 | | 321,425 | |
| Investments | | | | 14,951,359 | | 14,951,359 | |
| Total current assets | <u>14,223,677</u> | <u>53,737</u> | <u>924,162</u> | <u>18,708,197</u> | <u>11,621,720</u> | <u>45,531,493</u> | <u>27,057,612</u> |
| Noncurrent Assets: | | | | | | | |
| Capital Assets: | | | | | | | |
| Land | 145,615 | | 1,921,420 | 5,332,401 | 3,404,805 | 10,804,241 | |
| Easements | 28,943 | | | | | 28,943 | |
| Buildings and improvements | 2,683,118 | 2,398,794 | 30,257,046 | 89,858,046 | 13,587,498 | 138,784,502 | |
| Improvements other than buildings | 290,651 | 3,719,882 | 6,800 | 4,046,307 | 26,920,882 | 34,984,522 | 265,514 |
| Computer software | 105,534 | | | | 238,343 | 343,877 | 185,625 |
| Equipment | 4,227,941 | 484,754 | 4,316,586 | 825,969 | 15,872,571 | 25,727,821 | 40,032,826 |
| Construction in progress | 1,329,735 | | 943,107 | | 1,438,771 | 3,711,613 | |
| Exhibits | | | 14,432,266 | | | 14,432,266 | |
| Landfill | | | | | 3,865,986 | 3,865,986 | |
| Infrastructure | 67,160,138 | | | | | 67,160,138 | |
| Less accumulated depreciation | <u>(33,268,769)</u> | <u>(6,392,382)</u> | <u>(38,646,056)</u> | <u>(25,587,491)</u> | <u>(43,385,411)</u> | <u>(147,280,109)</u> | <u>(21,655,010)</u> |
| Net capital assets | <u>42,702,906</u> | <u>211,048</u> | <u>13,231,169</u> | <u>74,475,232</u> | <u>21,943,445</u> | <u>152,563,800</u> | <u>18,828,955</u> |
| Total noncurrent assets | <u>42,702,906</u> | <u>211,048</u> | <u>13,231,169</u> | <u>74,475,232</u> | <u>21,943,445</u> | <u>152,563,800</u> | <u>18,828,955</u> |
| Total assets | <u>56,926,583</u> | <u>264,785</u> | <u>14,155,331</u> | <u>93,183,429</u> | <u>33,565,165</u> | <u>198,095,293</u> | <u>45,886,567</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Deferred charge on refunding | | | | 5,206,687 | | 5,206,687 | |
| Related to pensions | 372,983 | 39,348 | | | 1,028,250 | 1,440,581 | 278,470 |
| Total deferred outflows of resources | <u>372,983</u> | <u>39,348</u> | | <u>5,206,687</u> | <u>1,028,250</u> | <u>6,647,268</u> | <u>278,470</u> |

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities |
|---|---|----------------------|----------------------|----------------------|-------------------------------|----------------------|----------------------------|
| | Wastewater Management | The Hamptons | Museum | Convention Center | Non-Major Enterprise Funds | Totals | Internal Service Funds |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | \$ 642,962 | \$ 11,396 | \$ 284,516 | \$ | \$ 1,172,025 | \$ 2,110,899 | \$ 1,128,083 |
| Accrued liabilities | | | | 46,021 | | 46,021 | |
| Accrued interest payable | | | | | 44,386 | 44,386 | |
| Accrued leave | 103,439 | 6,053 | 44,592 | | 200,658 | 354,742 | 61,368 |
| Due to other funds | | 3,290,054 | 854,525 | | 1,851,081 | 5,995,660 | 1,926 |
| Unearned revenue | | | 100,839 | | 140,967 | 241,806 | |
| Current portion of long-term debt | | | | 3,071,240 | 373,837 | 3,445,077 | 9,776,038 |
| Current liabilities payable from restricted assets: | | | | | | | |
| Accounts payable | | | (1) | 265,330 | | 265,329 | |
| Accrued interest payable | | | | 1,023,263 | | 1,023,263 | |
| Other liabilities | 17,145 | 15,150 | 45,148 | 76,753 | 571,662 | 725,858 | 15,936 |
| Total current liabilities | <u>763,546</u> | <u>3,322,653</u> | <u>1,329,619</u> | <u>4,482,607</u> | <u>4,354,616</u> | <u>14,253,041</u> | <u>10,983,351</u> |
| Noncurrent liabilities: | | | | | | | |
| Claims payable | | | | | | | 1,776,678 |
| Accrued leave | 94,458 | 13,679 | | | 333,249 | 441,386 | 98,267 |
| Bonds payable | | | | 88,890,777 | 3,236,593 | 92,127,370 | |
| Obligations under capital leases | | | | | | | 2,719,307 |
| Other post employment benefits obligation | | | | | | | 2,411,934 |
| Net pension liability | 3,029,090 | 310,267 | | | 8,602,704 | 11,942,061 | 2,195,795 |
| Total noncurrent liabilities | <u>3,123,548</u> | <u>323,946</u> | | <u>88,890,777</u> | <u>12,172,546</u> | <u>104,510,817</u> | <u>9,201,981</u> |
| Total liabilities | <u>3,887,094</u> | <u>3,646,599</u> | <u>1,329,619</u> | <u>93,373,384</u> | <u>16,527,162</u> | <u>118,763,858</u> | <u>20,185,332</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Related to pensions | 529,489 | 62,059 | - | - | 1,291,469 | 1,883,017 | 439,198 |
| Total deferred inflows of resources | <u>529,489</u> | <u>62,059</u> | <u>-</u> | <u>-</u> | <u>1,291,469</u> | <u>1,883,017</u> | <u>439,198</u> |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 42,702,906 | 211,048 | 13,231,170 | (4,157,611) | 18,333,015 | 70,320,528 | 15,225,136 |
| Restricted | | | | | | | |
| Bond indenture | | | | 8,031,275 | | 8,031,275 | |
| Unrestricted | 10,180,077 | (3,615,573) | (405,458) | 1,143,068 | (1,558,232) | 5,743,882 | 10,315,371 |
| Total net position (deficit) | <u>\$ 52,882,983</u> | <u>\$(3,404,525)</u> | <u>\$ 12,825,712</u> | <u>\$ 5,016,732</u> | <u>\$ 16,774,783</u> | <u>\$ 84,095,685</u> | <u>\$ 25,540,507</u> |
| Reconciliation of the Statement of Net Position for Proprietary Funds to the Statement of Net Position (Exhibit A-1) | | | | | | | |
| Net position of enterprise funds | | | | | | 84,095,685 | |
| Amounts reported for business-type activities in the statement of Net Position are different because: | | | | | | | |
| Net revenue of internal service funds are allocated to funds receiving services | | | | | | 458,625 | |
| Interfund reimbursement for allocated overhead costs | | | | | | 12,946,856 | |
| Net position business-type activities | | | | | | <u>\$ 97,501,166</u> | |

The accompanying notes are an integral part of these financial statements.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENSES IN CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

| | Business-Type Activities-Enterprise Funds | | |
|---|--|-----------------------|----------------------|
| | Wastewater Management | The Hamptons | Museum |
| Operating revenues: | | | |
| Charges for services | \$ 8,791,809 | \$ 771,413 | \$ 1,559,390 |
| Federal revenues | | | 488,821 |
| Other | 975 | | 1,292,812 |
| Total operating revenues | <u>8,792,784</u> | <u>771,413</u> | <u>3,341,023</u> |
| Operating expenses: | | | |
| Personal services | 1,873,417 | 385,576 | 1,169,692 |
| Fringe benefits | 706,813 | 98,214 | 310,931 |
| Promoters fees | | | |
| City-sponsored events | | | |
| Cost of goods sold | 245,832 | 32,171 | 106,565 |
| Utilities | 237,837 | 50,672 | 239,863 |
| Insurance | 49,410 | 27,215 | 62,680 |
| Operating supplies | 507,542 | 100,132 | 377,649 |
| Equipmental rental | 262 | 316,447 | 79,954 |
| Equipment and building repairs | 572,994 | 73,075 | 230,926 |
| Telephone and postage | 40,196 | 3,953 | 36,850 |
| General expense | 170,283 | 3,408 | 273,830 |
| Claims | | | |
| Landfill costs | | | |
| Contractual services | 580,794 | 43,531 | 122,263 |
| Indirect cost | 456,000 | | |
| Depreciation and amortization | 1,337,835 | 110,853 | 1,247,493 |
| Total operating expenses | <u>6,779,215</u> | <u>1,245,247</u> | <u>4,258,696</u> |
| Operating income (loss) | <u>2,013,569</u> | <u>(473,834)</u> | <u>(917,673)</u> |
| Nonoperating revenues (expenses): | | | |
| Interest income | 636 | | 47 |
| Interest and fiscal charges | | (11,482) | |
| Other | | | |
| Gain(loss) on disposal of capital assets | 12,097 | | |
| Net increase(decrease) in fair value of investments | | | |
| Total nonoperating revenues (expenses) | <u>12,733</u> | <u>(11,482)</u> | <u>47</u> |
| Income (loss) before transfers and capital contributions | 2,026,302 | (485,316) | (917,626) |
| Capital contributions | | 58,437 | |
| Transfers in(out) | | 430,000 | 668,596 |
| Change in net position | 2,026,302 | 3,121 | (249,030) |
| Net position, (deficit) beginning of year, as restated | <u>50,856,681</u> | <u>(3,407,646)</u> | <u>13,074,742</u> |
| Net position, (deficit) end of year | <u>\$ 52,882,983</u> | <u>\$ (3,404,525)</u> | <u>\$ 12,825,712</u> |

| Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|----------------------------|----------------------|-------------------------|
| Convention Center | Non-Major Enterprise Funds | Totals | Internal Service |
| \$ 2,530,390 | \$ 30,596,847 | \$ 44,249,849 | \$ 20,702,428 |
| | | 488,821 | |
| | 2,609 | 1,296,396 | 1,749 |
| <u>2,530,390</u> | <u>30,599,456</u> | <u>46,035,066</u> | <u>20,704,177</u> |
| 1,180,726 | 5,648,449 | 10,257,860 | 1,724,849 |
| 384,274 | 1,925,954 | 3,426,186 | 491,874 |
| | 6,514,291 | 6,514,291 | |
| | 838,743 | 838,743 | |
| | 369,240 | 753,808 | 6,171,062 |
| 719,384 | 858,124 | 2,105,880 | 50,633 |
| 94,989 | 591,588 | 825,882 | 2,629,114 |
| 403,574 | 1,058,716 | 2,447,613 | 205,713 |
| | 94,933 | 491,596 | 251,213 |
| 268,187 | 3,792,350 | 4,937,532 | 522,283 |
| 39,432 | 98,059 | 218,490 | 1,059,409 |
| 184,404 | 1,652,715 | 2,284,640 | 181,033 |
| | | | 14,198,083 |
| | 3,713,263 | 3,713,263 | |
| 195,101 | 1,202,061 | 2,143,750 | 1,185,640 |
| | 574,470 | 1,030,470 | |
| 2,843,191 | 2,747,025 | 8,286,397 | 2,097,627 |
| <u>6,313,262</u> | <u>31,679,981</u> | <u>50,276,401</u> | <u>30,768,533</u> |
| <u>(3,782,872)</u> | <u>(1,080,525)</u> | <u>(4,241,335)</u> | <u>(10,064,356)</u> |
| 799,712 | 5,512 | 805,907 | 31,154 |
| (4,122,752) | (190,150) | (4,324,384) | (102,885) |
| | | | 32,679 |
| | (238,620) | (226,523) | 380,262 |
| 139,815 | | 139,815 | |
| <u>(3,183,225)</u> | <u>(423,258)</u> | <u>(3,605,185)</u> | <u>341,210</u> |
| (6,966,097) | (1,503,783) | (7,846,520) | (9,723,146) |
| | | 58,437 | |
| <u>7,243,656</u> | <u>763,827</u> | <u>9,106,079</u> | |
| 277,559 | (739,956) | 1,317,996 | (9,723,146) |
| <u>4,739,173</u> | <u>17,514,739</u> | <u>82,777,689</u> | <u>35,263,653</u> |
| <u>\$ 5,016,732</u> | <u>\$ 16,774,783</u> | <u>\$ 84,095,685</u> | <u>\$ 25,540,507</u> |

Reconciliation of the Statement of Revenues, Expenses, and Changes in Net Position of Proprietary Funds to the Statement of Net Position (Exhibit A-2)

| | |
|---|--------------------|
| Change in net position | \$1,317,996 |
| Interfund reimbursement of overhead costs | <u>1,030,472</u> |
| Change in net position-business type activities | <u>\$2,348,468</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

| | Business-Type Activities-Enterprise Funds | | | | | | Governmental Activities |
|---|---|------------------|-------------------|---------------------|----------------------------|----------------------|-------------------------|
| | Wastewater Management | The Hamptons | Museum | Convention Center | Non-Major Enterprise Funds | Totals | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Cash received from customers | \$ 8,987,624 | \$ 771,783 | \$ 3,388,194 | \$ 2,500,609 | \$ 30,642,560 | \$ 46,290,770 | \$ 20,732,761 |
| Cash payments to suppliers for goods and services | (3,314,344) | (613,241) | (2,041,465) | (2,416,638) | (23,025,042) | (31,410,730) | (16,717,224) |
| Cash payments to employees for services | (2,058,767) | (390,852) | (1,125,255) | (1,176,983) | (5,645,619) | (10,397,476) | (2,092,070) |
| Net cash provided by (used in) operating activities | <u>3,614,513</u> | <u>(232,310)</u> | <u>221,474</u> | <u>(1,093,012)</u> | <u>1,971,899</u> | <u>4,482,564</u> | <u>1,923,467</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Transfers in from other funds | | 430,000 | 668,726 | 7,383,567 | 763,827 | 9,246,120 | |
| Net cash provided by (used in) noncapital financing activities | | <u>430,000</u> | <u>668,726</u> | <u>7,383,567</u> | <u>763,827</u> | <u>9,246,120</u> | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Acquisition and construction of capital assets | (1,902,534) | | (628,579) | (7,833) | (1,969,352) | (4,508,298) | (4,045,490) |
| Principal paid on revenue bond maturities and long-term debt | | (211,486) | | (2,325,000) | (352,517) | (2,889,003) | (983,761) |
| Interest paid on revenue bonds and long-term debt | | (11,482) | | (4,149,493) | (194,352) | (4,355,327) | (102,885) |
| Sale of capital assets | 140,570 | | | | 30,891 | 171,461 | 415,524 |
| Net cash provided by (used in) capital and related financing activities | <u>(1,761,964)</u> | <u>(222,968)</u> | <u>(628,579)</u> | <u>(6,482,326)</u> | <u>(2,485,330)</u> | <u>(11,581,167)</u> | <u>(4,716,612)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Purchase of investment securities | | | | (2,448,109) | | (2,448,109) | |
| Sale of investment securities | | | | 2,445,758 | | 2,445,758 | |
| Interest and dividends on investments | 636 | | 44 | 146,673 | 5,512 | 152,865 | 29,269 |
| Net cash provided by (used in) investing activities | <u>636</u> | | <u>44</u> | <u>144,322</u> | <u>5,512</u> | <u>150,514</u> | <u>29,269</u> |
| Net increase (decrease) in cash and cash equivalents (including restricted amounts) | 1,853,185 | (25,278) | 261,665 | (47,449) | 255,908 | 2,298,031 | (2,763,876) |
| Cash and cash equivalents (including restricted), July 1 | <u>10,434,989</u> | <u>46,958</u> | <u>447,469</u> | <u>3,346,830</u> | <u>9,224,053</u> | <u>23,500,299</u> | <u>29,250,054</u> |
| Cash and cash equivalents, June 30 | <u>\$ 12,288,174</u> | <u>\$ 21,680</u> | <u>\$ 709,134</u> | <u>\$ 3,299,381</u> | <u>\$ 9,479,961</u> | <u>\$ 25,798,330</u> | <u>\$ 26,486,178</u> |

| | Business-Type Activities-Enterprise Funds | | | | | | Governmental Activities |
|--|---|--------------|--------------|-------------------|----------------------------|----------------|-------------------------|
| | Wastewater Management | The Hamptons | Museum | Convention Center | Non-Major Enterprise Funds | Totals | Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Operating income (loss) | \$ 2,013,569 | \$ (473,834) | \$ (917,673) | \$ (3,782,872) | \$ (1,080,525) | \$ (4,241,335) | \$ (10,064,356) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | | |
| Depreciation and amortization expense | 1,337,835 | 110,853 | 1,247,493 | 2,843,191 | 2,747,025 | 8,286,397 | 2,097,627 |
| Decrease (increase) in: | | | | | | | |
| Accounts receivable | 198,446 | 1,037 | 39,054 | (29,781) | 756,300 | 965,056 | (13,607) |
| Due from other funds | (3,606) | (80) | 130 | 139,911 | 8 | 136,363 | (49,475) |
| Due from component units | | | | | (1,411) | (1,411) | 57,104 |
| Inventories | 4,396 | (5,164) | (12,149) | | 16,292 | 3,375 | 1,765 |
| Prepaid items | | | 2,256 | (337) | | 1,919 | 122,322 |
| Increase (decrease) in: | | | | | | | |
| Accounts payable | 249,221 | 457 | 266,398 | | 219,374 | 735,450 | 257,019 |
| Accrued leave | (21,608) | (1,615) | 2,284 | | (58,715) | (79,654) | (5,984) |
| Due to other funds | | 152,981 | | | 157,785 | 310,766 | 1,153 |
| Other liabilities | 8,314 | (667) | 45,150 | 3,743 | 366,831 | 423,371 | 7,899 |
| Nonoperating revenues reported as operating activity | | | | | | | 32,677 |
| Unearned revenue | | | 8,117 | | (623,561) | (615,444) | |
| Accrued liabilities | | | | (52) | | (52) | |
| Current liabilities payable from restricted assets | | | (459,456) | (127,243) | | (586,699) | |
| Current portion of long-term accrued claims reported as operating activity | | | | | | | 7,607,952 |
| Due to/from other funds reported as nonoperating activities | | | (130) | (139,909) | | (140,039) | |
| Accounts receivable reported as nonoperating activities | | | | | | | 1,886 |
| Long-term accrued leave reported as operating activities | (9,264) | | | | 44,956 | 35,692 | 5,238 |
| Accounts payable reported as nonoperating activities | | | | | | | 175,613 |
| Long-term accrued insurance claims reported as operating activity | | | | | | | 906,446 |
| Other post employment benefits obligation reported as operating activity | | | | | | | 871,469 |
| Prepaid items reported as nonoperating activities | | (3,662) | | 337 | | (3,325) | - |
| Net pension liability reported as operating activity | (659,894) | (75,247) | | | (1,666,430) | (2,401,571) | (532,528) |
| Deferred Outflows & Inflows related to pensions reported as operating activity | 497,104 | 62,631 | | | 1,093,970 | 1,653,705 | 443,247 |
| Total adjustments | 1,600,944 | 241,524 | 1,139,147 | 2,689,860 | 3,052,424 | 8,723,899 | 11,987,823 |
| Net cash provided by (used in) operating activities | \$ 3,614,513 | \$ (232,310) | \$ 221,474 | \$ (1,093,012) | \$ 1,971,899 | \$ 4,482,564 | \$ 1,923,467 |
| Non-cash transactions affecting investing capital and related financing activities: | | | | | | | |
| Acquisition of capital assets through outside capital contribution | | 58,437 | | | | 58,437 | |
| Net increase (decrease) in fair value of investments | | | | 139,815 | | 139,815 | |
| Total non-cash transactions | \$ | \$ 58,437 | \$ | \$ 139,815 | \$ | \$ 198,252 | \$ |

The notes to the financial statements are an integral part of this statement

CITY OF HAMPTON, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015

| | <u>Pension Trust</u> Hampton Employees' Retirement System | <u>Agency Funds</u> |
|---|---|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 43,117 | \$ 689,450 |
| Investments: | | |
| Bond mutual funds | 45,196,015 | |
| Stock mutual funds | 84,927,236 | |
| Receivables: | | |
| Accounts | 14,580 | 9,189 |
| Property, Plant, and Equipment | | |
| Office and operating equipment | 7,342 | |
| Less accumulated depreciation | (7,342) | |
| Total assets | <u>\$ 130,180,948</u> | <u>\$ 698,639</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to pensions | <u>16,454</u> | <u>-</u> |
| Total deferred outflows of resources | <u>16,454</u> | <u>-</u> |
| LIABILITIES | | |
| Deposits | \$ | \$ 644,993 |
| Accounts payable | 16,168 | 53,646 |
| Net pension liability | <u>129,743</u> | <u>-</u> |
| Total liabilities | <u>145,911</u> | <u>\$ 698,639</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to pensions | <u>25,951</u> | <u>-</u> |
| Total deferred inflows of resources | <u>25,951</u> | <u>-</u> |
| NET POSITION | | |
| Net position held in trust for pension benefits and other purposes | <u>\$ 130,025,540</u> | |

The accompanying notes are an integral part of these financial statements.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2015

| | <u>Hampton Employees'</u> <u>Retirement System</u> |
|---|---|
| ADDITIONS | |
| Investment income: | |
| Net appreciation(depreciation) in fair value of investments | \$ 2,405,935 |
| Dividends | <u>2,955,749</u> |
| Total investment earnings (losses) | 5,361,684 |
| Less investment expenses | <u>(16,415)</u> |
| Net investment earnings (losses) | 5,345,269 |
| Employer contributions | <u>8,880,839</u> |
| Total additions (losses) | <u>14,226,108</u> |
| DEDUCTIONS | |
| Benefits | 17,040,171 |
| Administrative expenses | <u>277,505</u> |
| Total deductions | <u>17,317,676</u> |
| Change in net position | (3,091,568) |
| Net position, July 1, as restated | <u>133,117,108</u> |
| Net position, June 30 | <u><u>\$ 130,025,540</u></u> |

The accompanying notes are an integral part of these financial statements.

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2015

| | Governmental Activities | Business Type Activities | | | |
|---|------------------------------------|--------------------------------------|--|--|-------------------------|
| | | Economic Development Authority | Coliseum Central Business Improvement District, Inc. | Downtown Hampton Development Partnership, Inc. | Total |
| ASSETS | School Board | | | | |
| Cash and cash equivalents | \$ 13,050,529 | \$ 1,320,853 | \$ 993,440 | \$ 519,858 | \$ 15,884,680 |
| Cash with fiscal agent | 10,296,535 | 1,684,298 | | | 11,980,833 |
| Investments | 19,968 | 278 | | | 20,246 |
| Accounts receivable | 321,341 | 46,014 | 260,048 | 113,381 | 740,784 |
| Lease receivable | | 5,940,356 | | | 5,940,356 |
| Due from primary government | 7,187 | | | | 7,187 |
| Due from other governments | 7,105,808 | | | | 7,105,808 |
| Inventories | 138,798 | | | | 138,798 |
| Prepaid items | | | 14,143 | 9,634 | 23,777 |
| Temporarily restricted assets: | | | | | |
| Cash and cash equivalents | | 1,466,921 | | | 1,466,921 |
| Notes receivable | | 389,667 | | | 389,667 |
| Land held for sale | | 7,041,877 | | | 7,041,877 |
| Capital assets not being depreciated | 5,111,045 | 15,802,769 | | | 20,913,814 |
| Capital assets, net of accumulated depreciation | 7,350,719 | 880,735 | 32,520 | 308,833 | 8,572,807 |
| Total assets | <u>\$ 43,401,930</u> | <u>\$ 34,573,768</u> | <u>\$ 1,300,151</u> | <u>\$ 951,706</u> | <u>\$ 80,227,555</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Related to pensions | 20,086,429 | | | | 20,086,429 |
| Total deferred outflows of resources | <u>20,086,429</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,086,429</u> |
| LIABILITIES | | | | | |
| Accounts payable and other liabilities | \$ 20,059,967 | \$ 1,360,640 | \$ 29,143 | \$ 33,174 | \$ 21,482,924 |
| Due to primary government | 204,734 | 200,020 | | | 404,754 |
| Unearned revenue | 27,985 | 1,165,763 | | | 1,193,748 |
| Notes and other long-term payables: | | | | | |
| Due within one year | 2,373,000 | | | | 2,373,000 |
| Due in more than one year | 218,195,969 | | | | 218,195,969 |
| Bonds payable | | | | | |
| Due within one year | | 686,603 | | | 686,603 |
| Due in more than one year | | 4,335,289 | | | 4,335,289 |
| Total liabilities | <u>240,861,655</u> | <u>7,748,315</u> | <u>29,143</u> | <u>33,174</u> | <u>248,672,287</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Related to pensions | 28,579,714 | - | - | - | 28,579,714 |
| Total deferred inflows of resources | <u>28,579,714</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,579,714</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 12,461,764 | 16,683,504 | 32,520 | 308,833 | 29,486,621 |
| Restricted for: | | | | | |
| Bond indenture | | 1,466,921 | | | 1,466,921 |
| Unrestricted | (218,414,774) | 8,675,028 | 1,238,488 | 609,699 | (207,891,559) |
| Total net position | <u>\$ (205,953,010)</u> | <u>\$ 26,825,453</u> | <u>\$ 1,271,008</u> | <u>\$ 918,532</u> | <u>\$ (176,938,017)</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF HAMPTON, VIRGINIA
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2015

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | | | |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------------|--|--|-------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | School Board | Economic Development Authority | Coliseum Central Business Improvement District, Inc. | Downtown Hampton Development Partnership, Inc. | Total |
| Governmental type activities | | | | | | | | | |
| Public school system | \$ 220,727,045 | \$ 5,254,375 | \$ 145,022,308 | \$ | \$ (70,450,362) | \$ | \$ | \$ | \$ (70,450,362) |
| Business type activities | | | | | | | | | |
| Economic development | 3,985,585 | 1,101,055 | | 711,000 | | (2,173,530) | | | (2,173,530) |
| Business improvement | 946,857 | 579,104 | | | | | (367,753) | | (367,753) |
| Downtown development | 642,619 | 303,607 | 203,084 | | | | | (135,928) | (135,928) |
| Total component units | <u>\$ 226,302,106</u> | <u>\$ 7,238,141</u> | <u>\$ 145,225,392</u> | <u>\$ 711,000</u> | <u>\$ (70,450,362)</u> | <u>\$ (2,173,530)</u> | <u>\$ (367,753)</u> | <u>\$ (135,928)</u> | <u>\$ (73,127,573)</u> |
| Payments from (to) City of Hampton | | | | | 71,112,223 | 964,458 | 505,806 | 159,072 | 72,741,559 |
| Investment earnings | | | | | - | 404,220 | 1,514 | - | 405,734 |
| Miscellaneous | | | | | <u>13,814</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,814</u> |
| Total general revenues, special items and transfers | | | | | <u>71,126,037</u> | <u>1,368,678</u> | <u>507,320</u> | <u>159,072</u> | <u>73,161,107</u> |
| Change in net position | | | | | 675,675 | (804,852) | 139,567 | 23,144 | 33,534 |
| Net position, beginning, as restated | | | | | <u>(206,628,685)</u> | <u>27,630,305</u> | <u>1,131,441</u> | <u>895,388</u> | <u>(176,971,551)</u> |
| Net position, ending | | | | | <u>\$ (205,953,010)</u> | <u>\$ 26,825,453</u> | <u>\$ 1,271,008</u> | <u>\$ 918,532</u> | <u>\$ (176,938,017)</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

In 1610, the construction of Fort Henry and Fort Charles at the mouth of Hampton Creek marked the beginnings of Hampton. In 1619, the settlers chose an English name for the community, Elizabeth City. The settlement was known as Hampton as early as 1680, and in 1705 Hampton was recognized as a town. The City of Hampton (the City) was first incorporated in 1849 and classified as a city of the second class in 1908. In 1952 Hampton, the independent town of Phoebus and Elizabeth City County, encompassing Buckroe and Foxhill, were consolidated under one municipal government and classified as a city of the first class.

The following is a summary of the significant accounting policies.

Reporting Entity

The accompanying financial statements present the City and its component units. These statements conform to Generally Accepted Accounting Principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB).

The City follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB No. 34). As a result of adopting GASB No. 34, the Comprehensive Annual Financial Report includes Management’s Discussion and Analysis, Government-wide (Statement of Net Position and Statement of Net Activities) Financial Statements and Budgetary Comparison Schedules.

Component Unit Disclosures

The component units discussed in the following section are included in the City's reporting entity because the City is financially accountable for these organizations, as defined in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 14, *The Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component-Units*. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable, and whose relationship with the City is such that exclusion would cause the City’s financial statements to be misleading or incomplete. The discretely presented component units are: Hampton City School Board, Hampton Economic Development Authority, Coliseum Central Business Improvement District, Inc. and Downtown Hampton Development Partnership, Inc. All of these component units are considered major. They are reported as a separate column in Exhibits A-1 and A-2 and are also presented in detail in Exhibits A-11 and A-12.

Hampton City School Board

The Hampton City School Board (School Board) is a legally separate entity which oversees the operations of and establishes educational policies for the City's public school system. Seven School Board members are elected by the voters of the City of Hampton. The School Board has no power to levy taxes or issue bonds. Its budget is subject to approval by the City Council; however, Council only approves, rejects, or modifies the single amount requested by the School Board. The City provides operating and capital funding to the School Board. Therefore, the School Board is fiscally dependent and imposes specific financial burdens on the City. Combining statements for the School Board are presented in Exhibits G-1 through G-3. The School Board does not issue separate financial statements.

Hampton Economic Development Authority

The Hampton Economic Development Authority (EDA) is a public corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together along with ordinances adopted by the City Council. The EDA was established to promote and develop trade within the City by inducing manufacturing,

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

industrial and commercial enterprises to locate or remain in the City. The EDA is included as a discretely presented component unit because the City appoints the governing body of the EDA, funds the EDA's operating and capital budgets and it receives all of the revenues derived from EDA land sales. The EDA does not issue separate financial statements.

Coliseum Central Business Improvement District, Inc.

The Coliseum Central Business Improvement District, Inc. (Coliseum BID) was incorporated on January 22, 1996, to promote, develop and market the Coliseum Central Business District in the City. Coliseum BID was created by action of the City Council under provisions of the *Code of Virginia*. An additional tax is assessed on commercial real estate located in the District to provide funds for the economic development of the District. City Council levies the additional tax for the District and provides other funding for operations. Coliseum BID is included in the City's reporting entity because it is fiscally dependent and it imposes specific financial burdens on the City. A copy of the separately issued financial statements for Coliseum BID may be obtained by writing to Coliseum BID, 2021 Cunningham Drive, Suite 101, Hampton, Virginia 23666 or by calling (757) 826-6351.

Downtown Hampton Development Partnership, Inc.

The Downtown Hampton Development Partnership, Inc. (Downtown Hampton) was incorporated on August 15, 1995, to promote, develop, and market the Downtown Hampton Business Improvement District. Downtown Hampton was created by action of the City Council under provisions of the *Code of Virginia*. The City assesses an additional tax on the value of the commercial real estate located in the District to provide funds for the economic development of the District. City Council levies the additional tax for the District and provides other funding for operations. Downtown Hampton is included in the City's reporting entity because it is fiscally dependent and it imposes specific financial burdens on the City. A copy of the separately issued financial statements for Downtown Hampton may be obtained by writing to Downtown Hampton Development Partnership, 756 Settlers Landing Road, Hampton, Virginia 23669 or by calling (757) 727-1271.

Other Related Organizations

The financial statements of the following public organizations, commissions, authorities and boards are not included in the reporting entity. These organizations are political subdivisions created under the laws of the Commonwealth of Virginia. Their governing boards are appointed, at least in part, by the City. The City's responsibility in most instances is limited to pro rata representation through appointments to the governing boards. The individual governing boards of the organizations appoint management, establish budgetary control and are accountable for their own fiscal affairs including deficits, debt service, operating costs, etc. The City is not financially accountable for these organizations.

Peninsula Airport Commission

The Peninsula Airport Commission (PAC) operates the Newport News/Williamsburg International Airport. Board membership is allocated among and appointed by the various localities. The PAC's operating and capital expenditures, including debt service, are financed by its operations and contributions from the participating localities. The City has no budgetary authority, is not responsible for deficits or debt service and cannot set rates for services or uses of the airport facilities.

Other

There are certain other agencies and commissions that service the City of Hampton and surrounding localities whose board membership is allocated among and appointed by the various localities. These agencies include: Hampton Roads Transit (HRT), Hampton Roads Planning District Commission (HRPDC), Virginia Peninsula Public Service Authority (VPPSA), Hampton Roads Economic Development Alliance (HREDA) and the Peninsula Council for Workforce Development (PCFWD). Expenditures of these agencies are financed by federal and state grants, fees, and contributions. During the year ended June 30, 2015, the City provided operating and capital support of \$4,258,090 to

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

HRT, \$155,115 to HRPDC, \$10,000 to VPPSA, \$129,994 to HREDA and \$74,435 to PCFWD.

Jointly Governed Organizations

Hampton-Newport News Community Services Board

The City of Hampton has one jointly governed organization, the Hampton-Newport News Community Services Board (CSB). The CSB operates as an agent for the Cities of Hampton and Newport News in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the Code of Virginia, relating to the Virginia Department of Mental Health and Mental Retardation. The CSB designates its own management and adopts its own budget. The operations are financed principally by state and federal funds. The City provided operating support of \$1,570,662 to the CSB during fiscal year 2015.

Government-wide and Fund Financial Statements

The government-wide reporting model (Exhibits A-1 and A-2) includes financial statements prepared using full accrual accounting for all government activities. The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the nonfiduciary activities of the City and its component units. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on fees and charges for services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position

The Statement of Net Position (Exhibit A-1) is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense in the Statement of Activities. The net position of a government is displayed in three categories – net investment in capital assets, restricted and unrestricted. Also included in the Statement of Net Position is long term debt and obligations.

Statement of Activities

The government-wide Statement of Activities (Exhibit A-2) reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expenses of the individual functions are compared to the revenues directly generated by the function through user fees or intergovernmental grants.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Program revenues include charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meet the operational and/or capital requirements of a particular function or segment. Taxes and other items that are not included in program revenues are classified as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City reports the following major governmental funds: the General, Economic Development Special Revenue, Debt Service and Capital Project funds. The major enterprise funds are: Convention Center, The Hamptons, Virginia Air and Space Center Museum, and Wastewater Management funds.

Basis of Accounting

The basis of accounting applied to a fund and the discretely presented component units is determined by the

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

measurement focus. Basis of accounting refers to when revenues, expenditures (governmental) or expenses (proprietary), transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements.

The government-wide financial statements, all Proprietary Funds, the Pension Trust Fund, and Discretely Presented Component Units are accounted for using the economic resources measurement focus. This measurement focus is the same as that used by commercial enterprises. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructures, including bridges and roads, and general obligation debt). The accrual basis of accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

The accrual basis of accounting is followed in the government-wide financial statements, the Internal Service, Enterprise, Fiduciary Funds and the Discretely Presented Component Units. Under this method of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Generally, operating revenues and expenses result from services provided by or producing and delivering goods in connection with the proprietary fund's principal operations.

All Governmental Funds are accounted for using the current financial resources measurement focus and modified accrual basis of accounting. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing resources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, followed by the General, Special Revenue, Debt Service, and Capital Projects Funds, revenues are recognized when they become both measurable and available to finance operations of the current year. Revenues considered susceptible to accrual consist primarily of property taxes, certain grants and sales and utility taxes. Accordingly, real and personal property taxes are recorded as revenue when levied and billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unearned revenue. Revenues from federal, state, and other grants, used to fund specific City expenditures, are recorded at the time of receipt of notification of the grant. Revenues from general purpose grants are recognized in the period to which the grant applies. Sales and utility taxes collected by the State or utility companies and subsequently remitted to the City are recognized as revenue upon collection by the State or utility company, which is generally in the month preceding receipt by the City. Licenses, permits, fines and rents are recorded as revenue when received. Expenditures, other than interest and principal on long-term debt, are recorded as the related liabilities are incurred, if measurable. Interest and principal on long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The City's procedures for establishing the budgetary data reflected in the financial statements for the General Fund and School Operating Fund are as follows:

1. The City Manager submits to the City Council a recommended budget no later than April 15th, for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

2. Public hearings are conducted by City Council to obtain taxpayer comments.
3. The budget is legally enacted through the passage of an ordinance by City Council no later than May 15th.
4. The City Manager or his/her designee is authorized to transfer budgeted amounts within departments within the General Fund. Revisions that alter the total appropriations for a department must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each department. Transfers within the School Operating Fund are under the control of the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and School Board Component Unit Operating Fund.
6. Budgets for the General and School Board Component Unit Operating Fund are legally adopted on a basis consistent with Generally Accepted Accounting Principles.

Budgeted amounts are as originally adopted or as amended by City Council and the School Board during fiscal year 2015. Unencumbered appropriations lapse at year-end in the General and School Operating Funds. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrances.

An annual budget is not adopted for the Debt Service Fund because effective control is alternatively achieved through general obligation bond indenture provisions. Annual budgets are not employed for Capital Projects Fund and Special Revenue Funds because each program grant or capital project is approved separately.

General Property Tax Calendar

Real property is assessed at fair market value as of July 1 of each year; personal property and public service corporation properties (real and personal) are assessed as of January 1 of each year. Taxes are levied on a fiscal-year basis for real property and a calendar year basis for personal property. Taxes are due and payable in two equal installments on June 5th and December 5th.

Penalties are assessed at 10% of the tax due for real estate and personal property which are not paid by the due date. Interest at 10% per year for real and personal property is charged on unpaid tax installments. A lien is recorded on all real property with delinquent real estate taxes not paid within three years.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and School Operating Fund. Encumbered amounts for specific purposes for which amounts have not been previously restricted, committed or assigned will be reported within committed or assigned fund balance, as appropriate.

Investments

Investments of the Hampton Employees' Retirement System are stated at fair value, except for short-term investments which are stated at cost. All other investments are generally stated at fair value, except for short-term cash equivalents, which are stated at cost.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Receivables

Receivables of the General Fund are stated net of an allowance for uncollectible taxes of \$1,433,622. Management has determined that the allowance is sufficient to provide for any losses that may be sustained on realization of the accounts receivable.

Inventories

The inventories reflected in the Enterprise Funds and School Funds consist principally of food items and items held for resale and are valued at cost (first-in, first-out). The General Fund's inventory consists of consumable supplies valued at cost (first-in, first-out). The Internal Service Funds' inventories consist principally of expendable items held for consumption and are valued by the average-cost method. Inventories are recognized as expenditures when consumed or sold.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Land Held for Resale

Land held for resale by the Economic Development Authority (EDA) is stated at cost or, if donated, at fair market value as of the date received. Development costs of the EDA are added to the cost of the land when incurred. Total land and development costs are allocated to total saleable acreage under development and are charged to expenses on a prorated basis when the land is sold.

Interfund Activity

Activity between funds that represents lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances (see note 3).

Restricted Assets

Restricted assets represent the following invested assets set aside in The Hamptons (Golf Course), Virginia Air and Space Center (Museum), Convention Center, and discretely presented component unit – EDA:

| | <u>Convention Center</u> | <u>Component Unit- EDA</u> |
|-----------------------------------|------------------------------|------------------------------------|
| Restricted Assets | | |
| Cash: | | |
| Operating and Maintenance Account | \$ | \$ 245,864 |
| Operating/Capital Reserve Fund | 2,955,702 | 657,020 |
| Bond Fund | 22,254 | |
| Debt Service Reserve Fund | 321,425 | 564,037 |
| Investments: | | |
| Operating Reserve Fund | 6,560,247 | |
| Bond Fund | 1,631,505 | |
| Debt Service Reserve Fund | 6,759,607 | |
| | <u>\$ 18,250,740</u> | <u>\$ 1,466,921</u> |

The assets for Convention Center and EDA are classified as restricted since their use is limited by the Bond Trust

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Indenture.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., easements and computer software), are reported at historical cost, or estimated historical cost if actual cost is not available, less accumulated depreciation for the primary government in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets, other than computer equipment, computer software, and infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life greater than one year. Computer equipment and computer software are capitalized when the initial, individual cost exceeds \$1,000 and \$5,000, respectively. Infrastructure assets that meet the capitalization threshold, generally \$10,000, are capitalized and reported in the government-wide financial statements. Major outlays for capital assets and improvements are capitalized as projects are constructed. Historical cost of self-constructed infrastructure includes direct labor, direct materials and overhead costs allocated based on direct labor hours charged to the project. Capital assets capitalized at a lower threshold continue to be reported on the basis of past practice. The cost of normal maintenance and repairs that do not add to the value or materially extend asset lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated and any resulting gain or loss is reflected as non-operating revenue or expense.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------------------|
| Buildings and improvements | 10-40 |
| Improvements other than buildings | 10-50 |
| Equipment and computer software | 3-20 |
| Exhibits | 7-10 |
| Infrastructure | 5-75 |
| Landfill | Percentage of completion |

The City capitalizes interest costs on funds borrowed to finance the construction of capital assets in the proprietary funds.

The Landfill in the Solid Waste fund is recorded at cost and amortized using the straight-line method based on tonnage received in relation to total expected capacity.

The Hampton Employees' Retirement System capitalizes equipment, other than computer equipment, over \$2,500. Computer equipment having a cost of \$1,000 or more is capitalized. Capital assets are recorded at cost and depreciation is recorded using the straight-line method over the estimated useful lives of the assets. The estimated useful life of equipment is 3 – 20 years.

The capital assets of the discretely presented component units – School Board, Economic Development Authority, Downtown Hampton Development Partnership, Inc., and the Coliseum Central Business Improvement District, Inc. are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, unavailable revenue and property taxes collected in advance are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, charges for services and program income. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report revenues collected in advance from one source: property taxes. These amounts are deferred and recognized as an inflow of resources when the taxes are levied.

Fund Balance

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the City of Hampton is bound to honor constraints on the specific purpose for which amounts can be spent. The five categories are as follows:

Nonspendable Fund Balance – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples would be inventory, long term receivables, or a fund that is legally or contractually required to be maintained intact such as a permanent fund.

Restricted Fund Balance – Includes amounts that can be spent only for specific purposes as stipulated by constraints imposed by either external creditors, grantors, laws or regulations of other governments or they are imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Includes amounts that can only be used for specific purposes pursuant to a formal action of the government's highest level of decision-making authority.

Authority to Commit – Commitments for specific purposes require a formal action (resolution) of the City Council. A majority vote is required to approve or remove a commitment. Committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (resolution).

Assigned Fund Balance – Includes amounts intended to be used by the City of Hampton for a specific purpose but do not meet the criteria to be classified as restricted or committed. The intent should be expressed by the governing body itself or an official or committee that the governing body has delegated the authority to assign amounts to be used for specific purposes.

Authority to Assign – The City Council's fund balance policy has delegated to the City Manager and Director of Finance the authority to assign amounts to be used for specific purposes; however, before the assigned funds can be spent, such amounts, excluding appropriations related to encumbrances that are carried forward to the subsequent fiscal year, must be appropriated by City Council.

Unassigned Fund Balance – The residual classification for the General Fund. This category represents fund balance

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

that has not been restricted, committed or assigned to specific purposes within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City of Hampton to consider restricted amounts to have been spent first.

When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City of Hampton that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

The City will maintain a minimum unassigned fund balance in the General Fund equal to 10% of the total revenues for the General and School Operating Funds. To the extent the minimum unassigned fund balance falls below policy, the shortfall shall be replenished over a three-year period.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

A schedule of fund balances by specific purpose is provided below:

| | General | Economic Development | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|------------|-------------------------|--------------|------------------|--------------------------------|--------------------------------|
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Inventory | \$ 13,849 | \$ | \$ | \$ | \$ | \$ 13,849 |
| Prepaid items | 584,475 | | | | | 584,475 |
| Restricted: | | | | | | |
| Debt service | | | 80,288 | | | 80,288 |
| Donations for parks projects | 10,000 | | | | | 10,000 |
| Donations for Police Firing Range | 23,000 | | | | | 23,000 |
| Wetlands Encroachment/In Lieu | 108,815 | | | | | 108,815 |
| Hazmat clean ups and restoration | 18,050 | | | | | 18,050 |
| Title IVE | 138,446 | | | | | 138,446 |
| Urban Development Action grant projects | | 851,498 | | | | 851,498 |
| Property acquisition/redevelopment | | | | 312,367 | | 312,367 |
| Street & Infrastructure projects | | | | 215,139 | | 215,139 |
| Waterways projects | | | | 844 | 80,049 | 80,893 |
| Park improvement projects | | | | 926,469 | 15,804 | 942,273 |
| Public Works equipment | | | | | 215,334 | 215,334 |
| Facilities maintenance and repairs | | | | | 316 | 316 |
| Law library books and subscriptions | | | | | 83,334 | 83,334 |
| Stormwater management | | | | | 9,937,531 | 9,937,531 |
| Fishing Pier operations | 46,662 | | | | | 46,662 |
| Commonwealth Attorney investigations,training and equipment | | | | | 187,230 | 187,230 |
| Probation supervision services | | | | | 201,796 | 201,796 |
| Emergency preparedness | | | | | 110,611 | 110,611 |
| Fire equipment,training and supplies | | | | | 117,740 | 117,740 |
| Police investigations,training and equipment | | | | | 338,138 | 338,138 |
| Early intervention and special education services | | | | | 263,262 | 263,262 |
| Neighborhood improvement projects | | | | | 36,287 | 36,287 |
| Donations for bus shelter benches | 67,144 | | | | | 67,144 |
| Other | | | | | 133,224 | 133,224 |
| Committed: | | | | | | |
| Budget savings program | 7,648,535 | | | | | 7,648,535 |
| Capital projects | 14,115,140 | | | | | 14,115,140 |
| Debt service | 8,410,465 | | | | | 8,410,465 |
| Home elevation loan program | 2,500,000 | | | | | 2,500,000 |
| Proceeds from real estate auctions | 14,136 | | | | | 14,136 |
| Maintenance of driving range | 152,114 | | | | | 152,114 |
| Youth Violence Initiative | 490,302 | | | | | 490,302 |
| EDA grants program | 29,750 | | | | | 29,750 |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

| | General | Economic Development | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|-----------|-------------------------|--------------|------------------|--------------------------------|--------------------------------|
| Buckroe demolition services | | 86,274 | | | | 86,274 |
| Kecoughtan Corridor projects | | 105,000 | | | | 105,000 |
| Coliseum area sewer study | | 100,729 | | | | 100,729 |
| National Institute of Aerospace support | | 938,748 | | | | 938,748 |
| Job creation grants | | 1,214,500 | | | | 1,214,500 |
| Streets & Infrastructure projects | | 77,321 | | 3,927,655 | | 4,004,976 |
| Waterways projects | 1,597,047 | 55,000 | | 1,997,125 | | 3,649,172 |
| Buckroe redevelopment projects | | | | 838,555 | | 838,555 |
| Va Air & Space Museum support/improvements | 1,614 | | | 397,049 | | 398,663 |
| Coliseum Central projects | | | | 3,758,805 | | 3,758,805 |
| Court buildings projects | | | | 7,224,625 | | 7,224,625 |
| Downtown strategic projects | | | | 1,575,228 | | 1,575,228 |
| Facilities maintenance projects | | | | 2,227,910 | | 2,227,910 |
| Fire and Rescue projects | | | | 71,336 | | 71,336 |
| For FY16 Capital Projects | | | | 25,753,200 | | 25,753,200 |
| Human Resources software | | | | 63,525 | | 63,525 |
| North King Street Corridor projects | | | | 50,390 | | 50,390 |
| Neighborhood improvement projects | | | | 4,061,101 | | 4,061,101 |
| Parks improvement projects | | | | 1,279,668 | | 1,279,668 |
| Police and E911 equipment | | | | 114,184 | | 114,184 |
| Property acquisition/redevelopment | | | | 2,189,479 | | 2,189,479 |
| School projects | | | | 7,562,710 | | 7,562,710 |
| Transportation projects | | | | 855,808 | | 855,808 |
| Other | | | | 9,095 | | 9,095 |
| Assigned: | | | | | | |
| Donations for parks projects | 2,117 | | | | | 2,117 |
| Subsequent year expense | 2,750,000 | | | | | 2,750,000 |
| Economic development projects | | 2,859,291 | | | | 2,859,291 |
| Transportation projects | 324,956 | | | | | 324,956 |
| Fire and Rescue operations | 411,049 | | | | | 411,049 |
| Donations for History Museum | 1,031 | | | | | 1,031 |
| Donations for general operations | 39,125 | | | | | 39,125 |
| Police Department equipment and supplies | 484,439 | | | | | 484,439 |
| Debt service | | | 436,030 | | | 436,030 |
| Traffic Engineering equipment and supplies | 166,238 | | | | | 166,238 |
| Social Services equipment and supplies | 247,093 | | | | | 247,093 |
| Information Technology equipment and supplies | 242,951 | | | | | 242,951 |
| Youth, Education and Family Services equipment and supplies | 91,541 | | | | | 91,541 |
| City Sheriff equipment and supplies | 53,478 | | | | | 53,478 |
| Drainage Maintenance equipment and supplies | 49,033 | | | | | 49,033 |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

| | General | Economic Development | Debt Service | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------------------|---------------------|-------------------------|---|---|
| Recreation equipment and supplies | 41,866 | | | | | 41,866 |
| Unappropriated bond interest income- general capital projects | | | | 1,872,930 | | 1,872,930 |
| Other | 331,809 | | | 167,987 | 84,872 | 584,668 |
| Unassigned | 52,111,923 | | | | | 52,111,923 |
| Total Fund Balances | <u>\$ 93,318,193</u> | <u>\$ 6,288,361</u> | <u>\$ 516,318</u> | <u>\$ 67,453,184</u> | <u>\$ 11,805,528</u> | <u>\$ 179,381,584</u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

Net Position(deficit) - Enterprise Funds and Internal Service Funds

The net position(deficit) at June 30, 2015 in the Enterprise Funds are as follows:

| | <u>Primary Government</u> | <u>Discretely Presented Component Units</u> |
|--|-------------------------------|---|
| Wastewater Management | \$ 52,882,983 | \$ |
| The Hamptons Golf Course | (3,404,525) | |
| Virginia Air & Space Museum | 12,825,712 | |
| Hampton Roads Convention Center | 5,016,732 | |
| Non-Major Enterprise: | | |
| Hampton Coliseum | 8,584,979 | |
| The Woodlands Golf Course | 383,585 | |
| Solid Waste | 4,578,379 | |
| Refuse-Steam Plant | 3,227,840 | |
| Component Units: | | |
| School Board | | (205,953,010) |
| Economic Development Authority | | 26,825,453 |
| Coliseum Central Business Improvement District, Inc. | | 1,271,008 |
| Downtown Hampton Development Partnership, Inc. | | 918,532 |

The deficit in The Hamptons Golf Course Fund is primarily attributed to accumulated depreciation charges on capital assets and current year net operating losses. Net operating losses before depreciation are usually funded in the succeeding year by transfers from the General Fund.

The net position in the Internal Service Funds are as follows:

| | |
|------------------------|---------------|
| Internal Service: | |
| Equipment Replacement | \$ 18,275,753 |
| Fleet Management | (799,324) |
| Risk Management | 7,231,388 |
| Information Technology | 832,690 |

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's and Component Unit School Board's retirement plans (Plans) and the addition to/deductions from the Plans' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS) and Hampton Employees' Retirement System (HERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES , continued:

benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. In governmental fund types, the cost of annual and sick benefits is recognized when payments are made to employees. The current and long-term liability for accrued annual and sick leave benefits at June 30, 2015 has been reported in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue annual and sick leave benefits in the period they are earned. Such benefits are included in accounts payable and other liabilities in the government-wide statements. In prior years, the General, Federal Grants, Community Development and Stormwater Management Funds have been used to liquidate the liability for compensated absences.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise each fund's assets, liabilities, deferred inflows/outflows of resources, fund balance or net position, revenues and expenditures or expenses.

2. BASIS OF PRESENTATION - FUND ACCOUNTING:

The following is a description of the funds included in the accompanying financial statements.

General Fund

The General Fund is the City's primary operating fund. The General Fund accounts for all revenues and expenditures of the City, which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, revenues from other governmental units and recovered costs. A significant part of the General Fund's revenue is transferred to other funds, principally to fund the operations of the City of Hampton Public Schools and debt service requirements of the City. Expenditures include, among other things, those for general government, public safety, highways and streets, culture and recreation, health and human services.

Debt Service Fund

The Debt Service Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for principal and interest. Primary resources of the Debt Service Fund are derived from transfers from the General Fund and the proceeds from the issuance of refunding bonds.

Capital Projects Fund

The Capital Projects Fund accounts for all general City and School construction projects and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays which are financed through general obligation debt and general operating funds, with the exception of projects related to Enterprise and Internal Service Funds.

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The Federal Grants Fund accounts for revenues and expenditures of all federal, state and recovery act grants awarded to the City except the Community Development entitlement. The Federal Grants Fund also accounts for program income and matching requirements related to all awarded City grants. Federal grants received by the Component Unit - School Board are included in the discretely presented component unit.

The Community Development Fund accounts for revenues and expenditures related to entitlements received by the City under the Community Development Act of 1974, administered by the United States Department of Housing and Urban Development, to foster the development of the Healthy Neighborhoods Initiative. Other revenues include

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

2. BASIS OF PRESENTATION - FUND ACCOUNTING , continued:

program income that is generated from repayments of loans, the sale of rehabilitated homes and the Revolving Loan Fund.

The Economic Development Fund was established to finance the costs of capital investments, improvements, expenditures and any other approved expenditure, which will assist economic development and improve the physical appearance of the City. Revenues are earned from land sales, special assessments, projects financed by the fund and rental receipts.

The Stormwater Management Fund accounts for revenues and expenditures related to maintaining the storm drainage system and the quality of our surface waters. Revenues are derived from a service charge levied on all developed property in the City.

The Pembroke Complex Fund accounts for the receipts and disbursements related to the operations of the Pembroke Community Service Center. The facility is owned by the Hampton Redevelopment and Housing Authority and maintained by the City from the rents charged to the various tenants of the building.

The Law Library Fund accounts for receipts and disbursements of funds specifically held for the purpose of purchasing law books. Revenues are derived from a court case fee, which is legally mandated to support the operations of the law library.

Enterprise Funds

Enterprise Funds, (Exhibit A-6, A-7 and A-8), are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs of operating and providing services to the general public are completely or partially financed from user fees; or (b) where the governing body has determined that the periodic determination of net results of operations is appropriate for management control and accountability.

The City's Enterprise Funds account for the operations of the Hampton Coliseum, The Woodlands Golf Course, The Hamptons (Golf Course), Solid Waste, the Virginia Air and Space Center (Museum), Convention Center, Wastewater Management, and the Refuse-Steam Plant. Revenues of the Hampton Coliseum, Woodlands Golf Course, The Hamptons, the Solid Waste Fund, the Refuse-Steam Plant Fund and the Wastewater Management Fund are derived primarily from user fees. The Convention Center Fund revenues are derived from user fees and meal and lodging taxes. The Museum's operating revenue is derived from donations and user fees, including federal funds from the National Aeronautics and Space Administration for educational/user fee subsidy. The Museum fund accounts for all operational and revenue bond trust activity.

Internal Service Funds

The Internal Service Funds account for the services provided to substantially all City departments or other governmental units on a cost-reimbursement basis. The City's internal service funds include Equipment Replacement, Fleet Services, Risk Management and Information Technology.

The Equipment Replacement Fund owns all on-road rolling stock of the City and leases the equipment to the various operating departments. Leasing income is used for replacement of the equipment. The Fleet Services Fund accounts for the operation of the City's central automotive maintenance service facility. The Risk Management Fund accounts for the costs of providing insurance coverage and certain self-insured liabilities of the City and the School Board. The Information Technology Fund accounts for the costs of providing the following services: personal computer support, mailing and telecommunications services.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals,

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

2. BASIS OF PRESENTATION - FUND ACCOUNTING , continued:

private organizations and other governmental units. The Fiduciary Funds consist of the Hampton Employees' Retirement System (HERS), Special Welfare and Other Agency Funds.

HERS pension trust fund (Exhibits A-9 and A-10) accounts for the revenues and expenses related to the City-sponsored retirement plan, which is administered by a board of trustees appointed by City Council. The Special Welfare Fund is an agency fund that accounts for receipts and disbursements for special assistance programs and activities sponsored by the City's social services department. The Other Agency Fund accounts for amounts held in trust by the City for others such as the Peninsula Drug Task Force.

3. INTERFUND BALANCES:

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds" in the fund statements or as "internal balances" in the Statement of Net Position. All residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between the funds are made.

Interfund Receivables and Payables:

| <u>Primary Government:</u> | <u>Due From</u> | <u>Due To</u> |
|-----------------------------------|------------------------|----------------------|
| General Fund | \$ 9,937,252 | \$ 3,785,031 |
| Capital Projects | 3,038,605 | 2,916,762 |
| Non-Major Governmental Funds | 424,578 | 952,477 |
| Proprietary Funds: | | |
| Wastewater Management | 3,606 | |
| The Hamptons | 80 | 3,290,054 |
| Museum | | 854,525 |
| Convention Center | 182,305 | |
| Non-Major Enterprise Funds | | 1,851,081 |
| Internal Service Funds | 65,430 | 1,926 |
| Total Primary Government | <u>\$ 13,651,856</u> | <u>\$ 13,651,856</u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

3. INTERFUND BALANCES , continued:

Receivable and payable balances between the primary government and component units are as follows:

| | Due From Primary Government | Due To Component Unit | Due From Component Unit | Due To Primary Government |
|---|--|--------------------------------------|--|--|
| Primary Government - General Fund | \$ | \$ 7,187 | \$ 1,777 | \$ |
| Primary Government - Economic Development | | | 200,000 | |
| Primary Government - Non-major Enterprise Funds | | | 19,819 | |
| Primary Government - Internal Service Funds | | | 183,158 | |
| Component Unit - School Board Operating Fund | 7,187 | | | 204,734 |
| Component Unit - EDA | | | | 200,020 |
| Total | <u>\$ 7,187</u> | <u>\$ 7,187</u> | <u>\$ 404,754</u> | <u>\$ 404,754</u> |

Individual fund interfund transfers for the primary government were made for operating as well as capital purposes. Interfund transfers for the year ended June 30, 2015 are as follows:

| <u>Primary Government:</u> | <u>Transfer From</u> | <u>Transfer To</u> |
|-----------------------------------|---------------------------------|---------------------------|
| General Fund | \$ 117,340 | \$ 57,133,811 |
| Special Revenue: | | |
| Economic Development | | 2,250 |
| Debt Service | 33,799,820 | |
| Capital Projects | 14,098,702 | 668,596 |
| Non-Major Governmental Funds | 2,273,130 | 1,590,414 |
| Proprietary Funds: | | |
| The Hamptons | 430,000 | |
| Museum | 668,596 | |
| Convention Center | 7,243,656 | |
| Non-Major Enterprise Funds | 763,827 | |
| Total Primary Government | <u>\$ 59,395,071</u> | <u>\$ 59,395,071</u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

3. INTERFUND BALANCES , continued:

Related party transactions between the primary government and component units are as follows:

| | Payments From Primary Government | Payments To Component Unit | Payments From Component Unit | Payments To Primary Government |
|--|---|----------------------------------|---------------------------------------|--------------------------------------|
| Primary Government - General Fund | \$ | \$ 72,496,559 | \$ | \$ |
| Primary Government - Economic Development | | 245,000 | | |
| Component Unit - School Board Operating Fund | 71,112,223 | | | |
| Component Unit - EDA | 964,458 | | | |
| Component Unit - Coliseum BID | 505,806 | | | |
| Component Unit - Downtown Hampton | 159,072 | | | |
| Total | <u>\$72,741,559</u> | <u>\$ 72,741,559</u> | <u>\$</u> | <u>\$</u> |

4. DEPOSITS AND INVESTMENTS:

For purposes of reporting cash flows, cash and cash equivalents include demand deposits, certificates of deposit, money market funds and repurchase agreements.

Deposits

On June 30, 2015 the carrying value of the City's deposits was \$23,551,375 and the bank balance was \$9,940,717. All of the bank balances are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by financial institutions. All deposits are considered fully collateralized.

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of states and local governments, obligations of international development banks, "prime quality" commercial paper and certain corporate notes, repurchase agreements, certificates of deposit in United States banks, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

Investments for the City are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

HERS Investments

Investments are stated at fair value except for short-term investments. These are reported at cost, which approximates fair value. The fair value of mutual funds traded on a national securities exchange is determined by using the last reported sales price on the last business day of the fiscal year; listed securities for which no sale was reported on that date are valued at the mean between the last reported bid and asked prices. The Bank of New York Mellon serves as

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

4. DEPOSITS AND INVESTMENTS , continued:

custodian of HERS investments.

Investment Policy

The City's investment policy requires that all investments and investment practices meet or exceed all statutes and guidelines governing the investment of public funds in Virginia, including the Code of Virginia and the guidelines established by the State Treasury Board. State statutes limit investment in commercial paper to no more than 35% of the total portfolio, with not more than 5% per issuer. The City's investment policy addresses credit risk, custodial credit risk, interest rate risk, and concentration of risk, in which instruments are to be diversified and maturities timed in accordance with anticipated needs in order to minimize any exposure to fair value losses. The City's policy does not address foreign currency risk.

HERS Investment Policy

The Board of Trustees of the System has the full power to invest and reinvest the trust funds in accordance with Section 28-47 of the Code of Hampton, as amended. It requires the Board of Trustees to invest the assets with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. In addition, the investments are required to be diversified so as to minimize the risk of losses unless the circumstances it is clearly prudent not to do so. All investments shall be clearly marked to indicate ownership by the System. The HERS investments are held by the Bank of New York Mellon.

Credit Risk

The City's investment policy requires all bonds or notes of the Commonwealth of Virginia, states, or political subdivisions of any state of the U.S., or asset-backed securities have at least AAA ratings by two rating agencies, one of which must be Moody's Investor Services (Moody's) or Standard & Poor's (S&P). Repurchase agreements must be collateralized by Treasury or Agency obligations of which the market value is at least 102% of the purchase price of the security. Certificates of deposit of domestic banks must have at least A-1 rating by S&P and P-1 by Moody's for maturities less than 1 year, and AA by S&P and Aa by Moody's for maturities over one year and not exceeding 3 years. Commercial paper must be rated "Prime Quality" with at least a P-1 rating by Moody's, A-a rating by S&P, and Duff and Phelps within its rating of D-1. Corporate notes and bonds must have a rating of at least A by S&P, and A by Moody's. The City also invested funds during the year with the State Treasurer's Local Government Investment pool, a 2a7 like pool, and the Virginia State Non-Arbitrage Program (VaSNAP), both rated AAAM by Standard & Poor's.

HERS Credit Risk

HERS manages its credit risk by limiting investments in domestic bonds to those rated investment grade or better.

HERS Concentration of Credit Risk

HERS manages its exposure to concentrations of credit risk by limiting investments in domestic bonds for a single Non U.S. Government security to no more than 5% of the Plan's total investments.. With the exception of passively managed investment vehicles seeking to match the returns of a broadly diversified market index, no single investment pool or mutual fund shall comprise more than 20% of the Plan's total investments.

U. S. Government Securities

The City invested in U. S. Government Securities which consisted of FHLB and FCAR discount notes. U. S. Government Securities are subject to interest rate risk.

Custodial Credit Risk

All securities purchased for the City shall be held by the City or by the City's designated third party custodian. Securities are only purchased from brokerage firms/institutions that are under the Commonwealth of Virginia's supervision and located in the Commonwealth of Virginia.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

4. DEPOSITS AND INVESTMENTS , continued:

HERS Custodial Credit Risk

HERS limits its exposure to custodial credit risk by maintaining its investments in custodial accounts. Securities that exist in book entry form are held in trust by the custodian in the name of the Plan.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the City manages the investment maturities of operating funds to coincide with the City's projected cash flow needs. Bond proceeds are invested in compliance with the specific requirements of the bond covenants.

The City limits U.S. Treasury securities, U.S. Agency securities, and corporate notes to maturities of less than five years; bankers acceptances to maturities of less than 180 days; and commercial paper to maturities of less than 270 days.

HERS Interest Rate Risk

HERS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk is monitored by measuring the weighted average duration of the portfolio.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

4. DEPOSITS AND INVESTMENTS , continued:

As of June 30, 2015, the City had the following investments and maturities:

| Primary Government | Fair Value | Actual Credit Rating | Investment Maturities (in years) | |
|--|-----------------------|-----------------------------|---|----------------------|
| | | | Less than 1 year | 1-5 years |
| Commercial Paper | \$ 9,991,828 | A-1 + P-1 | \$ 9,991,828 | \$ |
| U.S. Government securities | 27,320,313 | AAA | | 27,320,313 |
| State Local Government Investment Pool-City | 120,000,000 | AAAm | 120,000,000 | |
| State Non-Arbitrage Fund-City | 67,619,510 | AAAm | 67,619,510 | |
| Mutual and Money Market Funds | <u>900,419</u> | Unrated | <u>900,419</u> | |
| Total Investments Controlled by City | 225,832,070 | | 198,511,757 | 27,320,313 |
| Pension Plan Investments | <u>130,123,251</u> | Unrated | <u>130,123,251</u> | |
| Total | <u>355,955,321</u> | | <u>\$ 328,635,008</u> | <u>\$ 27,320,313</u> |
| Reconciliation to Total Cash and Investments: | | | | |
| Add: | | | | |
| Cash on Hand and in Banks-City | 21,740,543 | | | |
| Cash With Fiscal Agent | <u>1,810,832</u> | | | |
| Total Deposits and Investments Primary Government and Fiduciary Funds per Exhibits A-1 and A-9 | <u>\$ 379,506,696</u> | | | |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

4. DEPOSITS AND INVESTMENTS , continued:

Component Unit - School Board

| | Investment Maturities (in years) | |
|--------------------------------|---|-------------------------|
| | Fair Value | Less than 1 year |
| Repurchase Agreements | \$ 1,600,000 | \$ 1,600,000 |
| Mutual and Money Market Funds | 19,968 | 19,968 |
| Total Investments School Board | <u>\$ 1,619,968</u> | <u>\$ 1,619,968</u> |

Other Component Units

| | Investment Maturities (in years) | |
|---|---|-------------------------|
| | Fair Value | Less than 1 year |
| Stock | \$ 278 | \$ 278 |
| Mutual and Money Market Funds | 1,466,921 | 1,466,921 |
| Total Investments Other Component Units | <u>\$ 1,467,199</u> | <u>\$ 1,467,199</u> |

Reconciliation of total deposits and investments to the government-wide statements at June 30, 2015;

| Primary Government | Governmental Activities | Business Type Activities | Fiduciary Responsibilities | Total |
|---|--------------------------------|---------------------------------|-----------------------------------|-----------------------|
| Cash Deposits-City | \$ 12,057,570 | \$ 9,450,405 | \$ 232,568 | \$ 21,740,543 |
| Cash With Fiscal Agent-City | 230,868 | 1,579,964 | | 1,810,832 |
| Mutual and Money Market Funds | | 767,961 | | 767,961 |
| Investments-City | 195,612,749 | 28,951,360 | 130,623,251 | 355,187,360 |
| Total Primary Government | <u>\$ 207,901,187</u> | <u>\$ 40,749,690</u> | <u>\$ 130,855,819</u> | <u>\$ 379,506,696</u> |
| <u>Component Unit - School Board</u> | | | | |
| Cash Deposits | \$ 11,450,529 | \$ | \$ | \$ 11,450,529 |
| Cash With Fiscal Agent | 10,296,535 | | | 10,296,535 |
| Investments | 1,619,968 | | | 1,619,968 |
| Total Component Unit School Board | <u>\$ 23,367,032</u> | <u>\$</u> | <u>\$</u> | <u>\$ 23,367,032</u> |
| <u>Other Component Units</u> | | | | |
| Cash Deposits | \$ | \$ 2,834,151 | \$ | \$ 2,834,151 |
| Cash With Fiscal Agent | | 1,684,298 | | 1,684,298 |
| Investments | | 1,467,199 | | 1,467,199 |
| Total Other Component Units | <u>\$</u> | <u>\$ 5,985,648</u> | <u>\$</u> | <u>\$ 5,985,648</u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

5. ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2015 in the Governmental Funds are as follows:

| | <u>General Fund</u> | <u>Special Revenue- Economic Development</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Other Governmental Funds</u> |
|---|----------------------|--|-------------------------|-----------------------------|---|
| Primary Government: | | | | | |
| General property taxes (net of allowance for uncollectible taxes of \$1,433,622) | \$ 9,418,807 | \$ | \$ | \$ | \$ |
| Due from Commonwealth of Virginia | 9,660,993 | | | 5,621,018 | 1,596,612 |
| Due from Federal Government | 698,646 | | | | 1,262,713 |
| Other | 1,141,836 | 7,005 | 87 | | 936,622 |
| Total Primary Government | <u>\$ 20,920,282</u> | <u>\$ 7,005</u> | <u>\$ 87</u> | <u>\$ 5,621,018</u> | <u>\$ 3,795,947</u> |
| <u>Discretely Presented Component Unit - School Board:</u> | | | | | |
| Due from Commonwealth of Virginia | | \$ 6,381,490 | | | |
| Due from federal government | | 724,318 | | | |
| Total Component Unit | | <u>\$ 7,105,808</u> | | | |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2015 is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|-----------------------|----------------------|-----------------------|-----------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 519,889,629 | \$ 4,423,213 | \$ (1,416,023) | \$ 522,896,819 |
| Easements | 778,071 | 562,541 | | 1,340,612 |
| Construction in progress | 32,941,218 | 18,093,460 | (405,509) | 50,629,169 |
| Total capital assets not being depreciated | <u>553,608,918</u> | <u>23,079,214</u> | <u>(1,821,532)</u> | <u>574,866,600</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 168,815,882 | | | 168,815,882 |
| Improvements | 70,571,456 | 1,351,523 | | 71,922,979 |
| Computer Software | 1,323,117 | 99,269 | (100,700) | 1,321,686 |
| Machinery & Equipment | 81,555,642 | 5,809,026 | (5,931,912) | 81,432,756 |
| Infrastructure | 181,884,159 | 147,226 | | 182,031,385 |
| Other Assets | 4,218,300 | | | 4,218,300 |
| Total capital assets being depreciated | <u>508,368,556</u> | <u>7,407,044</u> | <u>(6,032,612)</u> | <u>509,742,988</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (44,888,571) | (3,795,484) | | (48,684,055) |
| Improvements | (44,788,815) | (2,705,160) | | (47,493,975) |
| Computer Software | (871,964) | (206,116) | 100,700 | (977,380) |
| Machinery & Equipment | (43,742,227) | (5,549,114) | 5,664,936 | (43,626,405) |
| Infrastructure | (56,622,025) | (7,734,561) | | (64,356,586) |
| Other Assets | (1,021,958) | (210,925) | | (1,232,883) |
| Total accumulated depreciation | <u>(191,935,560)</u> | <u>(20,201,360)</u> | <u>5,765,636</u> | <u>(206,371,284)</u> |
| Total capital assets being depreciated, net | <u>316,432,996</u> | <u>(12,794,316)</u> | <u>(266,976)</u> | <u>303,371,704</u> |
| Governmental activities capital assets, net | <u>\$ 870,041,914</u> | <u>\$ 10,284,898</u> | <u>\$ (2,088,508)</u> | <u>\$ 878,238,304</u> |

Primary Government:

Net capital assets for Governmental Activities are comprised of the following:

| | |
|------------------------|-----------------------|
| General capital assets | \$ 859,409,349 |
| Internal service funds | 18,828,955 |
| | <u>\$ 878,238,304</u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS , continued:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|----------------|--------------|-------------------|
| Business-type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 10,804,241 | \$ | \$ | \$ 10,804,241 |
| Easements | 28,943 | | | 28,943 |
| Construction in progress | 1,706,473 | 2,446,625 | (441,485) | 3,711,613 |
| Total capital assets not being depreciated | 12,539,657 | 2,446,625 | (441,485) | 14,544,797 |
| Capital assets being depreciated: | | | | |
| Buildings | 137,761,927 | 1,022,575 | | 138,784,502 |
| Improvements | 36,446,349 | 329,010 | (1,790,838) | 34,984,521 |
| Computer Software | 118,034 | 225,843 | | 343,877 |
| Machinery & Equipment | 26,732,442 | 677,029 | (1,681,650) | 25,727,821 |
| Exhibits | 14,413,321 | 18,945 | | 14,432,266 |
| Landfill | 3,865,986 | | | 3,865,986 |
| Infrastructure | 66,909,297 | 250,841 | | 67,160,138 |
| Total capital assets being depreciated | 286,247,356 | 2,524,243 | (3,472,488) | 285,299,111 |
| Less accumulated depreciation for: | | | | |
| Buildings | (55,542,435) | (3,695,598) | | (59,238,033) |
| Improvements | (23,557,287) | (1,057,991) | 1,601,342 | (23,013,936) |
| Computer Software | (69,136) | (47,532) | | (116,668) |
| Machinery & Equipment | (18,240,278) | (2,002,977) | 1,510,519 | (18,732,736) |
| Exhibits | (13,904,023) | (80,941) | | (13,984,964) |
| Landfill | (3,656,014) | (2,716) | | (3,658,730) |
| Infrastructure | (27,500,763) | (1,034,276) | | (28,535,039) |
| Total accumulated depreciation | (142,469,936) | (7,922,031) | 3,111,861 | (147,280,106) |
| Total capital assets being depreciated, net | 143,777,420 | (5,397,788) | (360,627) | 138,019,005 |
| Business-type activities capital assets, net | \$ 156,317,077 | \$ (2,951,163) | \$ (802,112) | \$ 152,563,802 |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | General Capital Assets | Internal Service Funds | Total |
|---|---------------------------|---------------------------|---------------|
| Governmental activities | | | |
| General government | \$ 3,363,598 | \$ 2,097,627 | \$ 5,461,225 |
| Health | 789,680 | | 789,680 |
| Public welfare | 82,646 | | 82,646 |
| Public safety | 3,298,029 | | 3,298,029 |
| Streets and highways | 6,260,295 | | 6,260,295 |
| Culture and recreation | 383,404 | | 383,404 |
| Education | 3,926,081 | | 3,926,081 |
| Total depreciation expense - governmental activities | \$ 18,103,733 | \$ 2,097,627 | \$ 20,201,360 |
| Business - type activities: | | | |
| Culture and recreation | \$ 4,471,736 | | |
| Sanitation | 3,450,295 | | |
| Total depreciation expense - business-type activities | \$ 7,922,031 | * | |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS , continued:

*Depreciation expense in the amount of \$483,880 was capitalized as part of self-constructed assets in the Wastewater Management Fund.

The City leases certain buildings, equipment and vehicles under capital leases. Included in capital assets are the following amounts applicable to capital leases:

| | Governmental Activities | Business-type Activities |
|-------------------------------|----------------------------|-----------------------------|
| Buildings | \$ | \$ 2,064,368 |
| Improvements | 157,589 | |
| Computer Software | 171,225 | |
| Machinery and equipment | 23,281,857 | 182,487 |
| Less accumulated depreciation | (5,176,193) | (2,221,409) |
| Capital assets, net | <u>\$ 18,434,478</u> | <u>\$ 25,446</u> |

No equipment was acquired through a capital lease during fiscal year ended June 30, 2015. Depreciation expense on the leased assets totaled \$2,070,197 for the fiscal year ended June 30, 2015.

Discretely Presented Component Units

School Board:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|----------------------|---------------------|--------------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,111,045 | \$ | \$ | \$ 5,111,045 |
| Total capital assets not being depreciated: | <u>5,111,045</u> | | | <u>5,111,045</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 48,962,686 | | | 48,962,686 |
| Improvements | 310,100 | | | 310,100 |
| Machinery & Equipment | 41,549,304 | 1,895,353 | (1,058,778) | 42,385,879 |
| Total capital assets being depreciated | <u>90,822,090</u> | <u>1,895,353</u> | <u>(1,058,778)</u> | <u>91,658,665</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (48,508,633) | (315,930) | | (48,824,563) |
| Improvements | (197,689) | (15,505) | | (213,194) |
| Machinery & Equipment | (34,265,361) | (2,052,168) | 1,047,340 | (35,270,189) |
| Total accumulated depreciation | <u>(82,971,683)</u> | <u>(2,383,603)</u> | <u>1,047,340</u> | <u>(84,307,946)</u> |
| Total capital assets being depreciated, net | <u>7,850,407</u> | <u>(488,250)</u> | <u>(11,438)</u> | <u>7,350,719</u> |
| School Board capital assets, net | <u>\$ 12,961,452</u> | <u>\$ (488,250)</u> | <u>\$ (11,438)</u> | <u>\$ 12,461,764</u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS , continued:

Economic Development Authority:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|---------------------|------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 15,802,769 | \$ - | \$ - | \$ 15,802,769 |
| Total capital assets not being depreciated | <u>15,802,769</u> | | | <u>15,802,769</u> |
| Capital assets being depreciated: | | | | |
| Infrastructure | 2,049,350 | | | 2,049,350 |
| Total capital assets being depreciated | <u>2,049,350</u> | | | <u>2,049,350</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (1,066,147) | (102,468) | | (1,168,615) |
| Total accumulated depreciation | <u>(1,066,147)</u> | <u>(102,468)</u> | | <u>(1,168,615)</u> |
| Total capital assets being depreciated, net | <u>983,203</u> | <u>(102,468)</u> | | <u>880,735</u> |
| Economic Development Authority capital assets, net | <u>\$ 16,785,972</u> | <u>\$ (102,468)</u> | <u>\$</u> | <u>\$ 16,683,504</u> |

Downtown Hampton Development Partnership, Inc:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|-----------------|-----------------|-------------------|
| Capital assets being depreciated: | | | | |
| Improvements | \$ 437,867 | \$ | \$ | \$ 437,867 |
| Computer Software | | 9,000 | | 9,000 |
| Machinery & Equipment | 122,401 | 28,919 | (54,378) | 96,942 |
| Total capital assets being depreciated | <u>560,268</u> | <u>37,919</u> | <u>(54,378)</u> | <u>543,809</u> |
| Less accumulated depreciation | <u>(260,406)</u> | <u>(28,948)</u> | <u>54,378</u> | <u>(234,976)</u> |
| Downtown Hampton Development Partnership capital assets, net | <u>\$ 299,862</u> | <u>\$ 8,971</u> | <u>\$</u> | <u>\$ 308,833</u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

6. CAPITAL ASSETS , continued:

Coliseum Central Business Improvement District, Inc:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|-------------------|-------------------|-------------------|
| Capital assets being depreciated: | | | | |
| Computer Software | \$ 9,969 | \$ | \$ (5,389) | \$ 4,580 |
| Machinery & Equipment | 140,509 | 6,850 | | 147,359 |
| Total capital assets being depreciated | 150,478 | 6,850 | (5,389) | 151,939 |
| Less accumulated depreciation | (104,761) | (14,658) | | (119,419) |
| Coliseum Central Business Improvement District capital assets, net | <u>\$ 45,717</u> | <u>\$ (7,808)</u> | <u>\$ (5,389)</u> | <u>\$ 32,520</u> |

Construction in Progress

Several capital projects were in various stages of completion on June 30, 2015. In accordance with the City's accounting policies and practices, these projects will remain in construction in progress until completion, at which time they will be transferred into the various capital asset accounts in the government-wide statements, Enterprise Fund and Discretely Presented Component Units. At June 30, 2015, construction in progress by project was comprised as follows:

| | Project Authorization | Expended to June 30, 2015 |
|--|--------------------------|------------------------------|
| <u>Governmental Activities</u> | | |
| Infrastructure | \$ 69,690,279 | \$ 29,911,646 |
| Construction and renovation | 24,970,464 | 20,295,608 |
| Computer Hardware and Software | 909,645 | 421,914 |
| | <u>\$ 95,570,388</u> | <u>\$ 50,629,168</u> |
| <u>Business-type Activities</u> | | |
| Wastewater Management - Sewer Projects | \$ 3,063,889 | \$ 1,329,734 |
| Museum-Building and Lighting Renovations | 2,846,000 | 943,108 |
| Steam Plant- Boiler Retubung Project | 2,200,000 | 1,438,771 |
| | <u>\$ 8,109,889</u> | <u>\$ 3,711,613</u> |

7. BUDGETARY - GAAP REPORTING RECONCILIATION:

The City adopts an annual budget for the General Fund, but does not adopt an annual budget for any of the Special Revenue Funds except for the Stormwater Management Fund. Resources are provided for and appropriated individually throughout the year as they become available to the City. The General Fund budget basis and GAAP are substantially the same.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT:

The following is a summary of the changes in general obligation debt and other indebtedness during the year ended June 30, 2015:

| | Beginning Balance, as Restated | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|----------------------|------------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds payable: | | | | | |
| Serial bonds | \$ 253,682,053 | \$103,020,000 | \$ (86,472,483) | \$ 270,229,570 | \$ 22,336,163 |
| Unamortized premium and discount | 18,479,452 | 21,684,114 | (4,332,518) | 35,831,048 | 2,862,706 |
| Capital leases | 9,786,302 | | (1,496,209) | 8,290,093 | 1,529,344 |
| Capital leases - Internal Service Funds | 4,587,581 | | (983,761) | 3,603,820 | 884,513 |
| Compensated absences | 6,995,409 | 4,638,130 | (4,024,694) | 7,608,845 | 4,024,693 |
| Compensated absences-Internal Service Funds | 160,380 | 60,623 | (61,368) | 159,635 | 61,368 |
| Claims and judgements-Internal Service Funds | 2,153,808 | 10,228,672 | (1,714,277) | 10,668,203 | 8,891,525 |
| Net OPEB obligation-Internal Service Funds | 1,540,461 | 944,192 | (72,719) | 2,411,934 | |
| Net pension liability-Internal Service Funds | 2,728,323 | | (532,528) | 2,195,795 | |
| Net OPEB obligation | 36,908,428 | 6,036,241 | (2,848,524) | 40,096,145 | |
| Net pension liability | 155,744,742 | 53,084 | (28,140,563) | 127,657,263 | |
| Governmental activities long-term liabilities | <u>\$ 492,766,939</u> | <u>\$146,665,056</u> | <u>\$(130,679,644)</u> | <u>\$ 508,752,351</u> | <u>\$ 40,590,312</u> |

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due.

Balances at June 30, 2015

| | |
|--------------------------------------|-----------------------|
| Long-term liabilities (detail above) | \$ 508,752,351 |
| Less debt - Internal Service Fund | <u>(19,039,387)</u> |
| Combined adjustment | <u>\$ 489,712,964</u> |

Section 148 of the Internal Revenue Code of 1986 requires public entities to refund interest earned in excess of interest paid over the first five years outstanding on tax exempt borrowings. The regulations are applicable to borrowings incurred subsequent to August 1986. The City has calculated the rebate due as of June 30, 2015 and reflected the liability, if any, in the governmental activities column of the Statement of Net Position.

In prior years, the General Fund has been used to liquidate the net OPEB obligation.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT , continued:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|---------------------|------------------------|---------------------------|--------------------------------|
| Business-type Activities: | | | | | |
| Bonds payable: | | | | | |
| Revenue bonds | \$ 83,965,000 | \$ | \$ (2,325,000) | \$ 81,640,000 | \$ 2,435,000 |
| Serial bonds | 3,962,947 | | (352,517) | 3,610,430 | 373,837 |
| Unamortized premium and discount | 10,958,257 | | (636,240) | 10,322,017 | 636,240 |
| Total bonds payable | 98,886,204 | | (3,313,757) | 95,572,447 | 3,445,077 |
| Capital leases | 211,488 | | (211,488) | | |
| Net pension liability | 14,343,633 | | (2,401,572) | 11,942,061 | |
| Compensated absences | 843,754 | 307,118 | (354,742) | 796,130 | 354,743 |
| Business-type activities long-term liabilities | <u>\$ 114,285,079</u> | <u>\$ 307,118</u> | <u>\$ (6,281,559)</u> | <u>\$ 108,310,638</u> | <u>\$ 3,799,820</u> |
| Component Units: | | | | | |
| School Board: | | | | | |
| Compensated absences | \$ 6,774,983 | \$ 1,588,379 | \$ (2,247,721) | \$ 6,115,641 | \$ 2,250,000 |
| Capital leases | 332,953 | | (120,158) | 212,795 | 123,000 |
| Net OPEB obligation | 9,640,643 | 509,086 | | 10,149,729 | |
| Net pension liability | 229,754,863 | | (25,664,059) | 204,090,804 | |
| Total School Board | <u>\$ 246,503,442</u> | <u>\$ 2,097,465</u> | <u>\$ (28,031,938)</u> | <u>\$ 220,568,969</u> | <u>\$ 2,373,000</u> |
| Economic Development Authority: | | | | | |
| Revenue bonds payable | <u>\$ 5,667,478</u> | <u>\$</u> | <u>\$ (645,586)</u> | <u>\$ 5,021,892</u> | <u>\$ 686,603</u> |

Enterprise Funds

On June 13, 2012, the City issued \$33,750,000 in Convention Center Refunding Revenue Bonds, Series 2012A with interest ranging from 4.826% to 5.125%. The proceeds of the bonds were used to refund a portion of the City's Convention Center Revenue Bonds, Series 2002.

On June 2, 2011 the City issued \$52,460,000 in Convention Center Refunding Revenue Bonds, Series 2011 with interest ranging from 2.922% to 5.125%. The proceeds of the bonds were used to refund a portion of the City's Convention Center Revenue Bonds, Series 2002.

Convention Center Revenue Bonds (Bonds) in the amount of \$106,305,000 were issued November 1, 2002 with interest ranging from 3.50% to 5.25%. The proceeds of the Bonds were used to finance the cost of the construction of a convention center, to retire a \$7,585,000 Revenue Bond Anticipation Note issued in connection with the project and to pay interest on the Series 2002 Bonds. The bonds are payable solely from and collateralized by, revenues derived by the City from ownership and operation of the project.

In prior years, the City defeased certain revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2015, \$94,565,000 of bonds outstanding are considered defeased.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT , continued:

Revenue bond debt service requirements to maturity are as follows:

| <u>Fiscal year ending June 30</u> | <u>Principal</u> | <u>Interest</u> |
|--|-----------------------------|-----------------------------|
| 2016 | \$ 2,435,000 | \$ 4,035,929 |
| 2017 | 2,555,000 | 3,917,435 |
| 2018 | 2,680,000 | 3,791,388 |
| 2019 | 2,815,000 | 3,656,104 |
| 2020 | 2,960,000 | 3,511,919 |
| 2021-2025 | 17,215,000 | 15,136,636 |
| 2026-2030 | 22,165,000 | 10,242,586 |
| 2031-2035 | 28,815,000 | 3,776,941 |
| | <u><u>\$ 81,640,000</u></u> | <u><u>\$ 48,068,938</u></u> |

In April 2005, the City issued \$53,210,000 in General Obligation Public Improvement Bonds, Series 2005A with interest ranging from 3.00% to 5.00%. The Refuse-Steam Plant used \$2,000,000 of the bond proceeds to finance the mandated replacement of the air pollution retrofit.

On April 1, 2002, the City issued \$30,155,000 in General Obligation Public Improvement Bonds, Series 2002 with interest ranging from 4.25% to 5.00%. The Refuse-Steam Plant used \$5,000,000 of the bond proceeds to finance an air pollution control system.

All of these general obligation bonds are expected to be repaid from the resources of the Refuse-Steam Plant Fund; therefore, the bonds are accounted for in this fund.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT , continued:

Debt service on the foregoing debt is payable during future fiscal years ending June 30 as follows:

| General Obligation Bonds | | |
|---------------------------------|---------------------|-------------------|
| Year | Principal | Interest |
| 2016 | \$ 373,837 | \$ 177,545 |
| 2017 | 391,848 | 159,692 |
| 2018 | 411,834 | 140,099 |
| 2019 | 431,976 | 119,507 |
| 2020 | 453,936 | 97,908 |
| 2021-2025 | 1,394,491 | 186,985 |
| 2026 | 152,508 | 7,053 |
| | <u>\$ 3,610,430</u> | <u>\$ 888,789</u> |

Discretely Presented Component Unit-EDA:

On September 7, 2001, the Economic Development Authority issued Lease Revenue Bonds in the amount of \$11,286,888. The proceeds from the bond issue were used to finance the construction of the Peninsula Workforce Development Center. The bonds are payable from revenues generated from the lease of the building with the lease term being equivalent to the life of the bond issue. On each January 1 and July 1 beginning January 1, 2002, to and including July 1, 2021, the EDA shall pay semi-annual installments of principal and interest in the amount of \$495,030.

Details at June 30, 2015 are as follows:

| | |
|-------------------|---------------------------|
| | 2002 Revenue Bonds |
| | <u>Tax-Exempt</u> |
| Outstanding Debt | \$ 5,021,892 |
| Interest | 6.17% |
| Years of maturity | 2016- 2022 |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT , continued:

Debt service on the foregoing debt during future years is as follows:

| Revenue Bonds | | |
|----------------------|---------------------|---------------------|
| Year | Principal | Interest |
| 2016 | \$ 686,603 | \$ 303,456 |
| 2017 | 729,460 | 260,599 |
| 2018 | 776,573 | 213,486 |
| 2019 | 825,913 | 164,146 |
| 2020 | 878,387 | 111,672 |
| 2021-2022 | 1,124,956 | 61,986 |
| | <u>\$ 5,021,892</u> | <u>\$ 1,115,345</u> |

Discretely Presented Component Unit-School Board:

On February 8, 2013, the School Board entered into a master maintenance and sales lease agreement with Ricoh Business Solutions. The lease is payable in monthly installments of \$4,190 at an interest rate of 4.1%. At June 30, 2015 the outstanding balance on the lease is \$83,808.

On March 27, 2013, the School Board entered into a master lease purchase agreement with Wells Fargo to purchase forty-nine copiers. The lease is payable in monthly installments of \$6,361 at an interest rate of 3.85%. At June 30, 2015 the outstanding balance on the lease is \$128,987.

Internal Service Funds:

The City is self-insured for workmen's compensation benefits and general liability insurance claims. At June 30, 2015, the liability for existing claims amounted to \$10,668,203. Workmen's compensation benefit claims are payable weekly or monthly through 2023.

The City has several capital lease obligations reflected in the Internal Service Funds for equipment purchases. The following is a description of those capital lease obligations:

Equipment Replacement Fund:

On July 9, 2009 the City entered into a master lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase rolling-stock equipment. During fiscal year 2010, the City financed a fire truck through this agreement. The lease is payable in 18 quarterly remaining equal installments of \$16,899 at an interest rate of 4.52%. At June 30, 2015 the outstanding balance on the lease is \$273,853. On June 25, 2012 the City extended the term under this master lease purchase agreement and financed the replacement of eight fire trucks. The lease is payable in 16 quarterly equal installments of \$216,134 at an interest rate of 2.24%. At June 30, 2015 the outstanding balance on the lease is \$3,298,922.

Fleet Services Fund:

On December 7, 2010, the City entered into a lease purchase agreement with SunTrust Equipment Finance and Leasing Corporation to purchase a fuel maintenance system. The lease is payable in quarterly installments of \$19,836 at an interest rate of 2.75%. At June 30, 2015 the outstanding balance on the lease is \$31,045.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT , continued:

Debt service on the foregoing debt payable during fiscal years ending June 30 is as follows:

| <u>Year</u> | <u>Accrued Insurance Claims</u> | <u>Capital Lease</u> | | |
|-------------|---------------------------------|----------------------|---------------------|------------------|
| | | <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 8,891,525 | 2016 | \$ 884,513 | \$ 78,986 |
| 2017 | 386,096 | 2017 | 874,060 | 58,072 |
| 2018 | 340,151 | 2018 | 895,178 | 36,955 |
| 2019 | 315,286 | 2019 | 916,835 | 15,300 |
| 2020 | 255,902 | 2020 | 33,234 | 555 |
| 2021-2024 | 479,243 | 2021 | | |
| | <u>\$ 10,668,203</u> | | <u>\$ 3,603,820</u> | <u>\$189,868</u> |

General Long-Term Debt:

Details of general obligation bonds and loans reported in the government-wide statements at June 30, 2015 are as follows:

| | |
|--------------------------------------|---------------|
| General Obligation Bonds Outstanding | \$270,229,570 |
| Coupon interest rate | 2.0% to 5.63% |
| Years of maturity | 2016-2035 |

Debt service on the foregoing debt payable during future fiscal years ending June 30 is as follows:

| <u>General Obligation Bonds</u> | | |
|---------------------------------|----------------------|----------------------|
| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
| 2016 | \$ 22,336,163 | \$ 11,150,268 |
| 2017 | 21,738,152 | 10,959,076 |
| 2018 | 21,973,166 | 10,181,521 |
| 2019 | 19,943,024 | 9,272,941 |
| 2020 | 19,976,064 | 8,537,844 |
| 2021-2025 | 85,345,509 | 29,311,481 |
| 2026-2030 | 56,727,492 | 9,564,635 |
| 2031-2035 | 22,190,000 | 2,053,450 |
| | <u>\$270,229,570</u> | <u>\$ 91,031,216</u> |

On April 23, 2015, the City issued \$46,770,000 in General Obligation Public Improvement Bonds, Series 2015A with interest rates ranging from 3.5% to 5.0% and \$56,250,000 in General Obligation Public Improvement Refunding Bonds, Series 2015B with an interest rate of 5.0%. The proceeds of the 2015B Bonds were used to refund portions of the City's Series 2007 General Obligation Bonds in the amount of \$63,320,000 and the remaining balance will be used to finance the cost of general capital improvement projects of the City. Interest on the Bonds is due and payable semi-

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT , continued:

annually on each March 1 and September 1.

The net proceeds from the 2015B refunding bonds of \$70,150,935 (net of underwriter's discount and issuance costs of \$524,501) were deposited with Regions Bank, Richmond, Virginia (Trustee), under a refunding trust agreement dated as of April 23, 2015. The Trustee used such proceeds to purchase direct, non-callable obligations of U.S. Treasury including state and local government series (collectively, government obligations). The government obligations will mature and bear interest at times and in amounts sufficient to pay debt service requirements on the refunded bonds until their redemption date.

This transaction is in substance a defeasance of debt and, accordingly, the refunded bonds (of which \$63,320,000 remain outstanding at June 30, 2015) have been removed from the financial statements and the government obligations will not be recorded in the financial statements.

As a result of the refunding, the City will reduce its total debt service costs by approximately \$5,587,463 for a net present value savings of \$5,527,350. The present value savings represents approximately 8.73% of the refunded bonds. In the government-wide statements this transaction resulted in an economic loss of \$3,823,766.

On April 24, 2013, the City issued \$38,865,000 in General Obligation Public Improvement Bonds, Series 2013 with interest ranging from 2% to 5%. The proceeds of the bonds will be used to finance the cost of general capital improvements of the City, including construction of a new courthouse.

On June 20, 2012, the City issued \$26,390,000 in General Obligation Public Improvement Refunding Bonds, Series 2012A (Tax-Exempt) and \$18,380,000 General Obligation Public Improvement Refunding Bonds, Series 2012B (Taxable) with interest rates ranging from .51% to 5%. The proceeds of the bonds were used to refund portions of the City's Series 2002, 2002A, 2004 and 2005A General Obligation Bonds.

On July 8, 2010, the City issued \$2,545,000 in General Obligation Virginia Public School Authority Qualified School Construction Bonds, Series 2010C with interest payable at the rate of 5.31% per annum. The proceeds of the bonds are being used to pay for the cost of lighting upgrades in the City schools.

On March 3, 2010, the City issued \$65,595,000 in General Obligation Public Improvement and Refunding Bonds, Series 2010A with interest ranging from 2% to 5% and \$7,190,000 in General Obligation Public Improvement Direct Pay Build America and Recovery Zone Economic Development Bonds, Series 2010B with interest ranging from 4.34% to 5.63%. The proceeds of the bonds were used to refund portions of the City's Series 1998, 2002, 2002A, 2005A, and 2007 General Obligation Bonds and the remaining balance will be used to finance the cost of general capital improvement projects of the City.

On October 25, 2007, the City issued \$145,815,000 in General Obligation Public Improvement and Refunding Bonds, Series 2008 with interest ranging from 4.00% to 5.00%. The proceeds of the bonds were used to refund bond anticipation notes issued by the City in April 2007 in the amount of \$29,540,000 and the remaining balance will be used to finance the cost of general capital improvement projects of the City.

On April 6, 2005, the City issued \$53,210,000 in General Obligation Public Improvement Bonds, Series 2005A with interest ranging from 3.00% to 5.00% and \$10,000,000 in Taxable General Obligation Public Improvement Bonds, Series 2005B with an interest rate of 5.04%. The proceeds of the Bonds will be used to finance capital improvements in the City.

On August 20, 2004, the City issued \$29,630,000 in General Obligation Public Improvement Refunding Bonds, Series

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

8. GENERAL OBLIGATION AND OTHER LONG-TERM DEBT , continued:

2004 with interest ranging from 2.00% to 5.00%.

In prior years, the City defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On June 30, 2015, \$173,770,000 of bonds outstanding are considered defeased.

Capital Leases:

On February 27, 2009, the City entered into an equipment lease/purchase agreement with Motorola, Inc. for \$14,506,267 for the purpose of upgrading and replacing the existing radio system of the city and to provide infrastructure site improvements to the City 911 Center and three transmit/receive sites. The lease is to be repaid in 5 remaining equal yearly installments of \$1,864,288 at an interest rate of 4.04%. The first payment was due on March 2011 and the final payment is due March 1, 2020.

Debt service on the foregoing debt during future years is as follows:

| Capital Leases | | |
|-----------------------|---------------------|---------------------|
| Year | Principal | Interest |
| 2016 | \$ 1,529,344 | \$ 334,945 |
| 2017 | 1,591,134 | 273,155 |
| 2018 | 1,655,420 | 208,868 |
| 2019 | 1,722,304 | 141,984 |
| 2020 | 1,791,891 | 72,391 |
| | <u>\$ 8,290,093</u> | <u>\$ 1,031,343</u> |

Debt Limit:

The Commonwealth of Virginia imposes a legal limit of 10% of assessed valuation on the amount of general obligation borrowings which may be issued by the City. As of June 30, 2015 the City's aggregate general obligation indebtedness was \$273,840,000 which is \$744,399,430 less than the State limit.

Overlapping Debt:

There are no overlapping or underlying tax jurisdictions.

9. DEFINED BENEFIT PENSION PLANS:

The City contributes to two pension plans for its employees, the Hampton Employees' Retirement System (HERS) and the Virginia Retirement System (VRS). HERS covers all full-time salaried employees who were first hired prior to July 1, 1984 and VRS covers all full-time salaried employees.

The City of Hampton's aggregate totals reported for all pension plans were as follows: \$141,924,862 net pension liabilities, \$470,997,255 pension assets, \$26,724,207 deferred outflows of resources, \$24,946,005 deferred inflows of

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

resources and \$12,803,672 pension expense.

Plan Description - HERS:

HERS is a single employer public employee defined benefit pension plan established and administered by the City of Hampton to augment the retirement benefits provided to full-time permanent City and School Board employees under the Virginia Retirement System (VRS).

HERS was established as a separate trust fund in 1966 and became non-contributory on January 1, 1975. The authority to establish and amend benefit provisions of HERS is governed by statute as set out in Chapter 28 of the Code of the City of Hampton, Virginia. All full-time permanent employees of the City of Hampton and Component Unit - School Board, who are members of VRS and have credit with HERS for service rendered prior to July 1, 1984, are members. HERS was closed to new entrants effective July 1, 1984.

HERS provides retirement benefits as well as death-in-service and disability benefits. All benefits vest after five years of credited service. Employees who retire on or after age 60 with five or more years of credited service or upon attaining age 55 with 25 or more years of credited service (age 50 for public safety officers) are entitled to an annual benefit, payable monthly for life, in an amount equal to 2% of their final average compensation for each of the first 20 years of credited service, plus 2-1/4% for each year of service thereafter, offset by an assumed VRS benefit equal to 1-1/2% of their average final compensation for credited service with VRS resulting for City of Hampton service. Final average compensation is the employee's average salary, excluding overtime, over the three highest consecutive years of credited service as a member. Employees with five years of credited service may retire on or after 55 (age 50 for public safety officers) and receive a reduced retirement benefit. Additionally, a plan amendment passed in 1999 allows for early retirement at age 50 for school and general members having at least 10 years of credited service.

Effective July 1, 2001, a plan amendment provided for a one-time cost of living adjustment of 3.5% to the gross monthly retirement benefits for retired members and beneficiaries who were receiving retirement benefits on that date and hired prior to July 1, 1999. COLAs are not automatic under the plan.

HERS is considered a part of the City of Hampton's reporting entity and is included in the City's financial reports as a pension trust fund. HERS issues a publicly available financial report that includes financial statements and required supplementary information for HERS. The financial report may be obtained by writing to City of Hampton, Finance Department, 22 Lincoln Street, Hampton, Virginia, 23669 or by calling (757) 727-6230.

Employees Covered by Benefit Terms - HERS:

As of the June 30, 2015, the following employees were covered by the benefit terms of the pension plan :

| | <u>Number</u> |
|---|---------------------|
| Inactive members or their beneficiaries | |
| currently receiving benefits | 2,602 |
| Vested inactive members | 446 |
| Active members | <u>96</u> |
| Total | <u><u>3,144</u></u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Contributions - HERS:

The contribution requirements of plan members, the City of Hampton and the Component Unit – School Board are established and may be amended by City Council. Plan members do not contribute. The City and Component Unit – School Board are required to contribute an actuarially determined amount.

Net Pension Liability - HERS:

The City of Hampton's and Component Unit - School Board's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.50% |
| Salary increases | 5% per annum for all members of the plan |
| Investment rate of return | 7.50%, net of investment expenses, annually |

Mortality rates were based on the RP-2000 Combined Annuitant and Non-Annuitant Health Mortality Table projected with Scale AA to 2010. The actuarial assumptions used for the June 30, 2015 valuation were based on the results of an experience study for the period July 1, 2005 through June 30, 2009.

The long-term expected rate of return on pension plan investments using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---------------------------|--------------------------|---|
| U.S. Equity- Large | 44% | 7.20% |
| U.S. Equity-Small and Mid | 9% | 8.90% |
| International Equity | 10% | 7.40% |
| Fixed Income | 37% | 2.10% |
| Total | <u>100%</u> | |

The discount rate used to measure the total pension liability was 7.50 percent. A formal cash flow projection was not performed; however, the assumption was made that the City of Hampton and Component Unit - School Board will continue the historical and legally required practice of contributing to the plan based on an actuarially determined

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

contribution, reflecting a payment equal to the normal cost plus an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed 10 years, plus layers of future actuarial gains and losses over separate fixed 10 year periods. Based on that assumption, the pension plans' fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability - HERS:

| | Increase (Decrease) | | |
|---|-----------------------------------|--|-------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances at June 30, 2014 | \$ 170,762,707 | \$ 133,261,624 | \$ 37,501,083 |
| Changes for the year: | | | |
| Service cost | 112,348 | | 112,348 |
| Interest | 12,183,886 | | 12,183,886 |
| Differences between expected and actual experience | (425,331) | | (425,331) |
| Contributions-employer | | 8,880,839 | (8,880,839) |
| Net investment income | | 5,361,684 | (5,361,684) |
| Benefit payments, including refunds of employee contributions | (17,040,172) | (17,040,172) | |
| Administrative expense | | (299,195) | 299,195 |
| Net Changes | (5,169,269) | (3,096,844) | (2,072,425) |
| Balances at June 30, 2015 | \$ 165,593,438 | \$ 130,164,780 | \$ 35,428,658 |

At June 30, 2015, the City of Hampton and Component Unit - School reported a net pension liability of \$17,205,928 and \$18,222,730, respectively.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the City of Hampton and Component Unit- School Board, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|-----------------------|---------------------------|-------------------------------------|---------------------------|
| Net pension liability | \$ 47,696,503 | \$ 35,428,658 | \$ 24,651,173 |

Pension plan fiduciary net position- Detailed information about the the pension plan's fiduciary net position is available in the separately issued HERS financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - HERS

For the year ended June 30, 2015, the City of Hampton and Component Unit-School Board recognized pension expense of \$1,828,011 and \$1,523,221, respectively. At June 30, 2015, the City of Hampton and Component Unit - School Board reported deferred outflows of resources related to pensions from the following sources:

| | City of Hampton | Component Unit- School Board |
|--|-----------------------------------|-----------------------------------|
| | Deferred Outflows of Resources | Deferred Outflows of Resources |
| Net difference between projected and actual earnings on pension plan investments | \$ 1,678,980 | \$ 1,778,202 |
| Total | <u>\$ 1,678,980</u> | <u>\$ 1,778,202</u> |

Amounts reported as deferred outflows of resources related to pensions will be recognized as follows:

| Year ended June 30: | City of Hampton | Component Unit- School Board |
|---------------------|--------------------|---------------------------------|
| 2016 | \$ 419,745 | \$ 444,550 |
| 2017 | 419,745 | 444,550 |
| 2018 | 419,745 | 444,550 |
| 2019 | 419,745 | 444,552 |

Pension Plan Fiduciary Net Position - HERS

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Detailed information about the pension plan's fiduciary is available in the separately issued HERS financial report.

Plan Description - VRS:

The City of Hampton and Component Unit - School Board contribute to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System.

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan, a cost-sharing multiple-employer defined benefit plan, upon employment. All full-time, salaried permanent employees of the City and nonprofessional employees of the Component Unit - School Board are automatically covered by the VRS Retirement Plan, an agent multiple-employer defined benefit plan, upon employment. These plans are administered by the Virginia Retirement System (System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefits structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|--|--|--|
| <p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> | <p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

| | | |
|--|---|--|
| <p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p> | <p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • School division employees • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p> |
|--|---|--|

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

| | | |
|---|--|---|
| <p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p>Retirement Contributions Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p> | <p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |
| <p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> | <p>Creditable Service Same as Plan 1.</p> | <p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

| | | |
|---|--|--|
| <p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p> | <p>Vesting Same as Plan 1.</p> | <p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p> |
|---|--|--|

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

| | | |
|--|--|---|
| <p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p> | <p>Calculating the Benefit See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p> |
| <p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p> | <p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p> |
| <p>Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.</p> | <p>Service Retirement Multiplier Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p> | <p>Service Retirement Multiplier <u>Defined Benefit Component:</u> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

| | | |
|--|--|--|
| <p>Normal Retirement Age : Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p> | <p>Normal Retirement Age: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Normal Retirement Age <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p> | <p>Earliest Unreduced Retirement Eligibility Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> Age members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

| | | |
|--|--|--|
| <p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go | <p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p> |
|--|--|--|

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

| | | |
|---|---|--|
| into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. | | |
| <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p>Not applicable to VRS Teacher Retirement plan members.</p> | <p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p>Not applicable to VRS Teacher Retirement plan members.</p> | <p>Disability Coverage Eligible political subdivision and school division (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> |
| <p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p> | <p>Purchase of Prior Service Same as Plan 1.</p> | <p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from the date of hire or return from their leave to purchase all but refunded prior service at approximate normal cost. After that period, the rate for most categories of service will change to actuarial cost <p><u>Defined Contribution Component:</u> Not applicable.</p> |

Employees Covered by Benefit Terms - VRS Retirement Plan

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

| | Number | |
|--|--------------------|---|
| | City of Hampton | Component Unit- School Board Nonprofessional Employees |
| Inactive members or their beneficiaries currently receiving benefits | 1,399 | 245 |
| Inactive members: | | |
| Vested inactive members | 329 | 25 |
| Non-vested inactive members | 687 | 111 |
| Inactive members active elsewhere in VRS | 540 | 49 |
| Total inactive members | 1,556 | 185 |
| Active members | 1,870 | 349 |
| Total covered employees | 4,825 | 779 |

Contributions - VRS:

The contribution requirement for active employees is governed by Title 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions and school divisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

For the Teacher Retirement Plan, each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Title 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the Teacher Retirement Plan from the school division were \$15,356,866 and \$12,831,186 for the years ended June 30, 2015 and June 30, 2014, respectively.

For the VRS Retirement Plan, the City of Hampton's and Component Unit - School Board's nonprofessional employees contractually required contribution rates for the year ended June 30, 2015 were 18.44% and 10.81% of covered employee compensation, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City of Hampton were \$15,816,817 and \$16,046,763 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions to the pension plan from the Component Unit -

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

School Board were \$411,361 and \$900,981 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability - VRS Retirement Plan

The City of Hampton and Component Unit - School Board's nonprofessional employees net pension liabilities were measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - VRS Teacher Retirement Plan

At June 30, 2015, the Component Unit - School Board reported a liability of \$181,847,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Component Unit - School Board's proportion of the Net Pension Liability was based on the Component Unit - School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the Component Unit - School Board's proportion was 1.50% as compared to 1.48% at June 30, 2013.

For the year ended June 30, 2015, the Component Unit - School Board recognized pension expense of \$12,419,320. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the Component Unit - School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ | \$ 26,988,000 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 2,540,000 | |
| Employer contributions subsequent to the measurement date | 15,356,866 | |
| | <u>\$ 17,896,866</u> | <u>\$ 26,988,000</u> |

\$15,356,866 reported as deferred outflows of resources related to pensions resulting from the Component Unit - School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30 | |
|--------------------|----------------|
| 2016 | \$ (6,186,000) |
| 2017 | \$ (6,186,000) |
| 2018 | \$ (6,186,000) |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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9. DEFINED BENEFIT PENSION PLANS , continued:

| | |
|--------------------|----------------|
| Year ended June 30 | |
| 2019 | \$ (6,186,000) |
| 2020 | \$ 296,000 |

Actuarial Assumptions - VRS Teacher Retirement Plan

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

| | |
|---------------------------------------|---|
| Inflation | 2.5 percent |
| Salary increases, including Inflation | 3.5 percent – 5.95 percent |
| Investment rate of return | 7.0 percent, net of pension plan investment expense, including inflation* |

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement

CITY OF HAMPTON, VIRGINIA
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9. DEFINED BENEFIT PENSION PLANS , continued:

- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – VRS Retirement Plan General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

| | |
|---------------------------------------|---|
| Inflation | 2.5 percent |
| Salary increases, including inflation | 3.5 percent – 5.35 percent |
| Investment rate of return | 7.0 Percent, net of pension plan investment expense, including inflation* |

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – VRS Retirement Plan Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

| | |
|--|--|
| Inflation | 2.5 percent |
| Salary increases, including Inflation | 3.5 percent - 4.75 percent |
| Investment rate of return | 7.0 percent, net of pension plan investment expense, including inflation* |

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Largest 10 - LEOS:

Pre-Retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) - LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 2, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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NOTES TO THE FINANCIAL STATEMENTS
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9. DEFINED BENEFIT PENSION PLANS , continued:

| Asset Class (Strategy) | Target Allocation | Arithmetic Long- Term Expected Rate of Return | Weighted Average Long- Term Expected Rate of Return |
|--------------------------------------|----------------------|---|--|
| U.S. Equity | 19.50% | 6.46 | 1.26% |
| Developed Non U.S. Equity | 16.50% | 6.28 | 1.04% |
| Emerging Market Equity | 6.00% | 10.00 | 0.60% |
| Fixed Income | 15.00% | 0.09 | 0.01% |
| Emerging Debt | 3.00% | 3.51 | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51 | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00 | 0.23% |
| Convertibles | 3.00% | 4.81 | 0.14% |
| Public Real Estate | 2.25% | 6.12 | 0.14% |
| Private Real Estate | 12.75% | 7.10 | 0.91% |
| Private Equity | 12.00% | 10.41 | 1.25% |
| Cash | 1.00% | (1.50) | (0.02)% |
| Total | <u>100.00%</u> | | <u>5.83%</u> |
| | Inflation | | <u>2.50%</u> |
| * Expected arithmetic nominal return | | | <u>8.33%</u> |

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division and political subdivision will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions and political subdivisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Changes in Net Pension Liability - VRS Retirement Plan City of Hampton

| | Increase (Decrease) | |
|---|----------------------|----------------------|
| | Plan Fiduciary | Net Pension |
| Total Pension | Net Position | Liability |
| Liability (a) | (b) | (a)-(b) |
| Balances at June 30, 2013 | <u>\$513,417,080</u> | <u>\$154,965,987</u> |
| Changes for the year: | | |
| Service cost | 10,938,812 | 10,938,812 |
| Interest | 34,999,056 | 34,999,056 |
| Contributions-employer | 16,046,763 | (16,046,763) |
| Contributions-employee | 4,400,548 | (4,400,548) |
| Net investment income | 56,039,049 | (56,039,049) |
| Benefit payments, including refunds of employee contributions | (26,861,136) | (26,861,136) |
| Administrative expense | (304,392) | 304,392 |
| Other changes | 2,953 | (2,953) |
| Net changes | <u>19,076,732</u> | <u>(30,247,053)</u> |
| Balances at June 30, 2014 | <u>\$532,493,812</u> | <u>\$124,718,934</u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Changes in Net Pension Liability - VRS Retirement Plan Component Unit - School Board Nonprofessional Employees

| | Increase (Decrease) | | |
|---|----------------------|----------------------|---------------------|
| | Total Pension | Plan Fiduciary | Net Pension |
| | Liability (a) | Net Position (b) | Liability (a)-(b) |
| Balances at June 30, 2013 | <u>\$ 29,110,626</u> | <u>\$ 23,039,926</u> | <u>\$ 6,070,700</u> |
| Changes for the year: | | | |
| Service cost | 813,234 | | 813,234 |
| Interest | 1,973,760 | | 1,973,760 |
| Contributions-employer | | 900,981 | (900,981) |
| Contributions-employee | | 372,764 | (372,764) |
| Net investment income | | 3,582,353 | (3,582,353) |
| Benefit payments, including refunds of employee contributions | (1,828,117) | (1,828,117) | |
| Administrative expenses | | (19,666) | 19,666 |
| Other changes | | 188 | (188) |
| Net changes | <u>958,877</u> | <u>3,008,503</u> | <u>(2,049,626)</u> |
| Balances at June 30, 2014 | <u>\$ 30,069,503</u> | <u>\$ 26,048,429</u> | <u>\$ 4,021,074</u> |

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

| | 1.00% Decrease (6.00%) | Current Discount Rate (7%) | 1.00% Increase (8%) |
|---|---------------------------|----------------------------------|------------------------|
| School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability | \$ 267,024,000 | \$ 181,847,000 | \$ 111,718,000 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - VRS Retirement Plan

The following presents the net pension liability of the City of Hampton and Component Unit - School Board Nonprofessional employees using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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9. DEFINED BENEFIT PENSION PLANS , continued:

(8.00%) than the current rate:

| | 1.00% Decrease (6.00%) | Current Discount Rate (7%) | 1.00% Increase (8%) |
|---|---------------------------|----------------------------------|------------------------|
| City of Hampton Plan's Net Pension Liability | \$ 191,730,685 | \$ 124,718,934 | \$ 68,823,886 |
| Component Unit-School Board Nonprofessional Employees Plan's Net Pension Liability | \$ 7,372,878 | \$ 4,021,074 | \$ 1,190,876 |

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -
VRS Retirement Plan**

City of Hampton

For the year ended June 30, 2015, the City of Hampton recognized pension expense of \$10,975,661. At June 30, 2015, the City of Hampton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ 15,816,817 | \$ 24,946,005 |
| Employer contributions subsequent to the measurement date | \$ 15,816,817 | \$ 24,946,005 |
| Total | <u>\$ 15,816,817</u> | <u>\$ 24,946,005</u> |

\$15,816,817 reported as deferred outflows of resources related to pensions resulting from the City of Hampton's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

| | |
|--------------------|----------------|
| Year ended June 30 | |
| 2016 | \$ (6,236,501) |
| 2017 | (6,236,501) |
| 2018 | (6,236,501) |
| 2019 | (6,236,502) |

Component Unit- School Board Nonprofessional Employees

For the year ended June 30, 2015, the Component Unit- School Board recognized pension expense of \$932,689. At June 30, 2015, the Component Unit- School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ 411,361 | \$ 1,591,714 |
| Employer contributions subsequent to the measurement date | 411,361 | |
| Total | <u>\$ 411,361</u> | <u>\$ 1,591,714</u> |

\$411,361 reported as deferred outflows of resources related to pensions resulting from the Component Unit - School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|--------------------|--------------|
| Year ended June 30 | |
| 2016 | \$ (397,929) |
| 2017 | (397,929) |
| 2018 | (397,929) |
| 2019 | (397,927) |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

9. DEFINED BENEFIT PENSION PLANS , continued:

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement and VRS Retirement Plans' Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/PDF/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2015, the City of Hampton reported a payable of \$1,232,988 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

10. DEFERRED COMPENSATION PLAN:

The City provides an approved deferred compensation plan, under Section 457 of the Internal Revenue Code, which is administered by the ICMA Retirement Corporation. All City employees are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to those assets be held in trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, ICMA Retirement Corporation, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distribution to participants in accordance with the plan document.

The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. However eligible active plan participants may borrow funds from their plan account balance.

The City provides an approved governmental profit-sharing plan & trust, under Section 401 of the Internal Revenue Code, which is administered by the ICMA Retirement Corporation. The City Manager and/or Interim City Manager are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to those assets be held in a trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, ICMA Retirement Corporation, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distribution to participants in accordance with the plan document.

11. JOINT VENTURE:

The Hampton Roads Regional Jail Authority (the Authority), a political subdivision of the Commonwealth of Virginia, was created through an agreement by the cities of Hampton, Newport News, Norfolk and Portsmouth (the member jurisdictions). The Authority has the responsibility to finance the acquisition, construction and operation of a regional jail facility for the benefit of the member jurisdictions. Each member jurisdiction is responsible for paying the Authority a per diem charge, as established in the Authority's annual budget, for the care, maintenance and subsistence of prisoners from the member jurisdictions. The member jurisdictions have agreed to commit to the Authority its prisoners equal to its initial guaranteed capacity as follows: Hampton, 175 prisoners or 20%; Newport News, 200 prisoners or 22.86%; Norfolk, 250 prisoners or 28.57%; Portsmouth, 250 prisoners or 28.57%. The Authority shall make adjustments to the per diem charge as and when necessary to reconcile projected revenues and expenditures to

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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11. JOINT VENTURE , continued:

actual revenues and expenditures and to comply with any revenue or other covenant related to the Bonds.

The Authority opened the jail facility on March 16, 1998. Summarized financial information for the Authority for fiscal year ending June 30, 2014 is below. This information shows the jail is well able to meet its obligations. The City does not currently expect a financial benefit from its participation in this joint venture.

| | |
|--|-----------------------------|
| Revenues and other sources | \$ 30,259,154 |
| Expenditures and other uses | <u>(35,058,546)</u> |
| Change in fund equity | (4,799,392) |
| Net position, as adjusted, July 1, 2013 | <u>17,102,766</u> |
| Net position, June 30, 2014 | <u><u>\$ 12,303,374</u></u> |

The revenue bonds issued by the Authority are limited obligations of the Authority payable solely from net revenues and other funds derived from the ownership and operation of the regional jail. Separate financial statements are available from the Hampton Roads Regional Jail Authority at 2690 Elmhurst Lane, Portsmouth, Virginia 23701-2745.

12. COMMITMENT AND CONTINGENCIES:

Grants:

The City receives grant funds, principally from the U.S. government, for construction and various other programs. Expenditures from certain of these funds are subject to audit by the grantor, and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the City, no material refunds will be required as a result of expenditures disallowed by grantors.

Leases:

The City leases various types of equipment under capital lease agreements (see Note 8). Under an operating lease, the City leases the Pembroke Community Service Center building from the Hampton Redevelopment and Housing Authority at an annual rent of \$367,103. In addition, the City leases space under operating leases for use as branches of the City's public library.

The City also leases various City properties to other governmental agencies and businesses under operating lease agreements. Included in Capital Assets are the following amounts that are applicable to the operating leases:

| | |
|-------------------------------|----------------------------|
| Land | \$ 28,366 |
| Buildings | 14,341,277 |
| Improvements | 4,199,967 |
| Less accumulated depreciation | <u>(9,293,703)</u> |
| Capital Assets, net | <u><u>\$ 9,275,907</u></u> |

CITY OF HAMPTON, VIRGINIA
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12. COMMITMENT AND CONTINGENCIES , continued:

A summary of future minimum rental payments under the operating leases at June 30, 2015 is as follows:

| <u>Year Ending June 30,</u> | <u>Operating Leases</u> | <u>Future Rental Income</u> |
|-----------------------------|-------------------------|-----------------------------|
| 2016 | \$ 844,660 | \$ 160,667 |
| 2017 | 814,189 | 152,647 |
| 2018 | 576,971 | 130,941 |
| 2019 | 461,403 | 116,619 |
| 2020 | 89,202 | 96,576 |
| 2021-2038 | 1,051,430 | 38 |
| | <u>\$ 3,837,855</u> | <u>\$ 657,488</u> |

The City's rental expense and rental income for the year ended June 30, 2015 amounted to \$1,587,445 and \$175,918, respectively.

The City has entered into several agreements relating to development projects along the downtown waterfront. These agreements involve commitments by the City to make certain loan principal and interest payments, capital expenditures, including land acquisition, and site improvements, to induce private development on the waterfront.

The City has entered into a three-party agreement with the Hampton Redevelopment and Housing Authority (HRHA) and private developers related to the Harbour Center in the downtown area. The future lease commitment for this project is \$1,263,503 for the lease of the garage facility through December 2017. (A portion of the garage lease payments will be offset by fees charged for parking.)

A summary of future minimum rent payments under the operating lease with Harbour Center at June 30, 2015 is as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2016 | \$ 505,401 |
| 2017 | 505,401 |
| 2018 | 252,701 |
| | <u>\$ 1,263,503</u> |

Self-Insurance:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established a Risk Management Fund (internal service fund) to account for and finance its uninsured risks of loss except for medical claims which are accounted for in the General Fund.

The City and the Hampton City Schools are self-insured for a portion of their risk up to the following self-insured levels per occurrence:

| | <u>City</u> | <u>Hampton City Schools</u> |
|-----------------------|------------------------------|-----------------------------|
| Workers' Compensation | \$ 850,000 | \$ 750,000 |
| General Liability | 1,000,000 | 1,000,000 |
| Property Coverage | 100,000 | 100,000 |
| Medical Claims | 100,000 per person/plan year | 100,000 |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
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12. COMMITMENT AND CONTINGENCIES , continued:

The City purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss. Settled claims have exceeded this commercial coverage in one of the past three years.

All funds of the City participate in the program and make payments to the Risk Management and General Fund based on historical cost information. The unrestricted net position of \$7,229,641 at June 30, 2015 is designated as a reserve for claims in the Risk Management Fund. The City accrues claims and judgments as incurred by a review of all claims on a case-by-case basis. Claims incurred, but not reported, were considered in the determination of the claims liability.

Changes in the Funds' claims liability amount in fiscal years 2015, 2014 and 2013 were:

| <u>Risk Management Fund</u> | <u>Claims Liability July 1</u> | <u>Incurred Claims</u> | <u>Claims Payment</u> | <u>Claims Liability June 30</u> |
|-----------------------------|------------------------------------|----------------------------|---------------------------|-------------------------------------|
| Fiscal Year 2015 | \$ 2,153,808 | \$ 10,228,672 | \$ 1,714,277 | \$ 10,668,203 |
| Fiscal Year 2014 | 5,355,903 | 867,525 | 4,069,620 | 2,153,808 |
| Fiscal Year 2013 | 4,845,035 | 1,689,714 | 1,178,846 | 5,355,903 |

| <u>General Fund</u> | <u>Claims Liability July 1</u> | <u>Incurred Claims</u> | <u>Claims Payment</u> | <u>Claims Liability June 30</u> |
|---------------------|------------------------------------|----------------------------|---------------------------|-------------------------------------|
| Fiscal Year 2015 | \$ 726,963 | \$ 16,070,517 | \$ 16,221,895 | \$ 575,585 |
| Fiscal Year 2014 | 613,007 | 16,145,018 | 16,031,062 | 726,963 |
| Fiscal Year 2013 | 330,444 | 15,397,463 | 15,114,900 | 613,007 |

Various claims and lawsuits are pending against the City. In the opinion of City management, the resolutions of these cases would not involve a substantial liability to the City.

Letters of Credit:

Old Point National Bank issued a standby Letter of Credit totaling \$3,000,000 on behalf of the EDA in connection with its commitment under certain agreements for the development of the Bass Pro Project. In addition, Old Point National Bank issued a standby Letter of Credit in the amount of \$1,800,000 on behalf of the EDA in connection with its commitment under certain agreements for the National Institute of Aerospace Associates project. The City has agreed to pay the bank upon each drawing by the beneficiary under the Letters of Credit. During the fiscal year ended June 30, 2015, no draws were made under the Letters of Credit.

Capital Projects

Commitments for completion of capital projects in the Governmental Activities authorized at June 30, 2015 are \$14,863,665.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

13. POST-RETIREMENT HEALTH CARE BENEFITS:

Plan Description:

The City and Component Unit - Hampton City School Board (School Board) each administer a single-employer defined benefit healthcare plan in addition to the pension benefits described in Note 9. The City and School Board Other Postemployment Benefit Plans provide post-retirement health care benefits, in accordance with the Personnel Policies and Procedures, to all full-time, salaried permanent employees and public safety officers who retire on or after attaining age 55 and 50 respectively, with at least 5 years of service, as well as to employees who qualify for a disability retirement. Currently, 729 City retirees meet these eligibility requirements. Hampton City School Board employees accumulate an unlimited number of sick leave days. The School Board's post-retirement health care plan allows employees at retirement, instead of taking payment for these sick leave days, the employee may elect to take a specified credit toward their post retirement health insurance costs. During fiscal year 2015, 57 employees were participating in this plan and the cost was \$103,208. Separate, stand-alone statements are not issued for this plan.

Funding Policy:

The City Council and Hampton School Board has the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2015, the City contributed \$2,848,524, or approximately 53% of total premiums for post-retirement health care benefits. Plan members receiving benefits contributed \$2,543,487 or approximately 45% of total premiums. Member contributions are 3% of covered payroll. The School Board contributed \$404,027 in fiscal year 2015 or approximately 41% of total premiums.

Annual OPEB Cost and Net OPEB Obligation:

The City and School Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) on an open basis over thirty years.

The following table shows the components of the City and School Board's annual OPEB cost for the year, the amount actually contributed to the plans and changes in the net OPEB obligation:

| | Component Unit | |
|---|------------------------|----------------------|
| | City of Hampton | School Board |
| Annual required contribution | \$ 6,694,322 | \$ 1,085,006 |
| Interest on net OPEB obligation | 1,476,337 | 385,626 |
| Adjustment to ARC | (2,134,418) | (557,519) |
| Annual OPEB cost | 6,036,241 | 913,113 |
| Contributions made | (2,848,524) | (404,027) |
| Increase in OPEB obligation | 3,187,717 | 509,086 |
| Net OPEB obligation - beginning of year | 36,908,428 | 9,640,643 |
| Net OPEB obligation - end of year | <u>\$ 40,096,145</u> | <u>\$ 10,149,729</u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

13. POST-RETIREMENT HEALTH CARE BENEFITS, continued:

The City and School Board's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 are as follows:

City of Hampton

| Fiscal year ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|------------------------|--|---------------------|
| June 30, 2013 | \$ 6,067,153 | \$ 2,037,833 | 34% | \$ 32,835,776 |
| June 30, 2014 | 6,356,196 | 2,283,544 | 36% | 36,908,428 |
| June 30, 2015 | 6,036,241 | 2,848,524 | 47% | 40,096,145 |

Component Unit-School Board

| Fiscal year ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|------------------------|--|---------------------|
| June 30, 2013 | \$ 1,337,755 | \$ 467,327 | 35% | \$ 8,723,050 |
| June 30, 2014 | 1,404,274 | 486,681 | 35% | 9,640,643 |
| June 30, 2015 | 913,113 | 404,027 | 44% | 10,149,729 |

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2015 for the City and School Board the funded status of the plans were as follows:

| | City of Hampton | Component Unit School Board |
|---|----------------------|-----------------------------|
| Actuarial accrued liability (AAL) | \$ 71,286,975 | \$ 5,383,740 |
| Actuarial value of plan assets | | |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 71,286,975</u> | <u>\$ 5,383,740</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0 % | 0 % |
| Covered payroll (active plan members) | \$ 88,537,233 | \$ 108,649,954 |
| UAAL as a percentage of covered payroll | 81 % | 5 % |

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, following the notes as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

13. POST-RETIREMENT HEALTH CARE BENEFITS, continued:

employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation for the City and School Board, the projected unit credit (PUC) cost method was used. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. The unfunded actuarial liability is amortized as an open level dollar amount over a period of 30 years. The actuarial assumptions included a future inflation rate of 2.5%. A discount rate of 4% per annum net of expenses was used for an unfunded plan. For the City's pre-medicare, the healthcare cost trend rates ranged from an initial rate of 7.5% to an ultimate rate of 5% for 2020. For the City's medicare eligible, the healthcare cost trend rates ranged from an initial rate of 5.50% to an ultimate rate of 5% for 2017. Retiree medical contributions are assumed to increase at the same rates as incurred claims. For the School Board, healthcare cost trend rates ranged from an initial rate of 7.5% to an ultimate rate of 5% for 2020.

14. OTHER POST-EMPLOYMENT LINE OF DUTY BENEFITS:

Plan Description:

The City administers a single-employer defined benefit Line of Duty Benefits Plan. The Commonwealth of Virginia's Line of Duty Act (LODA) requires state and local governments to provide death benefits and continued health, dental and vision insurance coverage to eligible hazardous duty employees and volunteers (law enforcement and firefighters) and their dependents if they are killed or disabled in the line of duty. The insurance coverages continue until death, recovery, or return to full active duty for hazardous duty employees. For spouses or other dependents, the insurance coverages continue until death, marriage or coverage by an alternative insurance. For death in the line of duty, there is a \$100,000 death benefit paid to the deceased's beneficiary or estate. All LODA eligibility determinations are conducted and investigated by the State Comptroller in accordance with the state code. Separate, stand-alone statements are not issued for this plan.

Funding Policy

The LODA requires the City to pay 100% of all line of duty benefits including the employee's share of insurance coverages. The employer contributions are financed on a pay-as-you-go basis. During fiscal year 2015, the City contributed \$72,719 for line of duty benefits.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

14. OTHER POST-EMPLOYMENT LINE OF DUTY BENEFITS: , continued

Annual OPEB Cost and Net OPEB Obligation:

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) on an open basis over thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plans and changes in the net OPEB obligation:

| | City of Hampton OPEB LODA Benefits |
|--|---|
| Annual required contribution | \$ 971,659 |
| Interest on net OPEB obligation | 61,618 |
| Adjustment to ARC | (89,085) |
| Annual OPEB cost | \$ 944,192 |
| Contributions made | (72,719) |
| Increase in net OPEB obligation | 871,473 |
| Net OPEB obligation- beginning of year | \$ 1,540,461 |
| Net OPEB obligation- end of year | \$ 2,411,934 |

The City's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 are as follows:

| Fiscal year ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|---------------------|---------------------------|---|------------------------|
| June 30, 2013 | \$ 856,887 | \$ 111,053 | 13 % | \$ 745,834 |
| June 30, 2014 | \$ 901,083 | \$ 106,456 | 12 % | \$ 1,540,461 |
| June 30, 2015 | \$ 944,192 | \$ 72,719 | 8 % | \$ 2,411,934 |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

14. OTHER POST-EMPLOYMENT LINE OF DUTY BENEFITS: , continued

Funded Status and Funding Progress:

Based on the most recent actuarial valuation dated June 30, 2015 for the City, the funded status of the plan was as follows:

| | City of Hampton OPEB LODA Benefits |
|---|---|
| Actuarial Accrued liability (AAL) | \$ 7,755,931 |
| Actuarial value of plan assets | |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 7,755,931</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 0 % |
| Covered payroll (active plan members) | \$ 30,057,556 |
| UAAL as a percentage of covered payroll | 26 % |

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, following the notes as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation for the City, the projected unit credit (PUC) cost method was used. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. The unfunded actuarial liability is amortized as an open level dollar amount over a period of 30 years. The actuarial assumptions include a future inflation rate of 2.5% a year. A discount rate of 4% per annum net of expenses was used for an unfunded plan. Healthcare cost trend rates ranged from an initial rate of 5.5% for medicare eligible and 7.5% for pre-medicare for to an ultimate rate of 5% for 2017.

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

15. LEASE RECEIVABLES:

The EDA issued Revenue Bonds (Note 8) to construct the Peninsula Workforce Development Center (PWDC). Under terms of agreements with this organization, revenue generated from the lease of the building is used to make the bond payments with the lease term being equivalent to the life of the bond. As of June 30, 2015, future lease receivable is \$5,940,356 from PWDC.

The minimum lease payments for the next future years are:

| | |
|-------|---------------------|
| 2016 | \$ 990,059 |
| 2017 | 990,059 |
| 2018 | 990,059 |
| 2019 | 990,059 |
| 2020 | 990,059 |
| 2021 | 990,061 |
| Total | <u>\$ 5,940,356</u> |

As of June 30, 2015 the balance of unearned interest income associated with the PWDC is \$1,165,763.

16. RESTATEMENT OF BEGINNING NET POSITION

Beginning net position for Governmental Activities and the Component Unit- School Board were restated due to the implementation of GASB No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. These changes had the following effect on the beginning net position as previously reported:

| | |
|---|-------------------------|
| Component Unit- School Board | |
| Net position, beginning of year | \$ 9,394,011 |
| Net pension liability | (229,754,863) |
| Deferred outflows related to pensions | <u>13,732,167</u> |
| Net position, beginning of year, as restated | <u>\$ (206,628,685)</u> |

| | |
|---|-------------------------|
| Component Units | |
| Net position, beginning of year | \$ 39,051,145 |
| Net pension liability | (229,754,863) |
| Deferred outflows related to pensions | <u>13,732,167</u> |
| Net position, beginning of year, as restated | <u>\$ (176,971,551)</u> |

| | |
|---|-----------------------|
| Governmental Activities | |
| Net position, beginning of year | \$ 713,290,400 |
| Net pension liability | (158,473,065) |
| Deferred outflows related to pensions | <u>14,818,800</u> |
| Net position, beginning of year, as restated | <u>\$ 569,636,135</u> |

CITY OF HAMPTON, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

16. RESTATEMENT OF BEGINNING NET POSITION , continued

| | |
|---|------------------------------|
| Wastewater Management | |
| Net position, beginning of year | \$ 54,205,067 |
| Net pension liability | (3,688,985) |
| Deferred outflows related to pensions | <u>340,599</u> |
| Net position, beginning of year, as restated | <u><u>\$ 50,856,681</u></u> |
| The Hamptons | |
| Net position, beginning of year | \$ (3,062,052) |
| Net pension liability | (385,514) |
| Deferred outflows related to pensions | <u>39,920</u> |
| Net position, beginning of year, as restated | <u><u>\$ (3,407,646)</u></u> |
| Non-Major Enterprise Funds | |
| Net position, beginning of year | \$ 26,953,123 |
| Net pension liability | (10,269,134) |
| Deferred outflows related to pensions | <u>830,750</u> |
| Net position, beginning of year, as restated | <u><u>\$ 17,514,739</u></u> |
| Governmental Activities - Internal Service Funds | |
| Net position, beginning of year | \$ 37,709,458 |
| Net pension liability | (2,728,323) |
| Deferred outflows related to pensions | <u>282,518</u> |
| Net position, beginning of year, as restated | <u><u>\$ 35,263,653</u></u> |
| Business-Type Activities | |
| Net position, beginning of year | \$ 108,285,062 |
| Net pension liability | (14,343,633) |
| Deferred outflows related to pensions | <u>1,211,269</u> |
| Net position, beginning of year, as restated | <u><u>\$ 95,152,698</u></u> |
| Pension Trust - Hampton Employees' Retirement System | |
| Net position, beginning of year | \$ 133,261,624 |
| Net pension liability | (161,209) |
| Deferred outflows related to pensions | <u>16,693</u> |
| Net position, beginning of year, as restated | <u><u>\$ 133,117,108</u></u> |

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CHANGES IN THE HERS' NET PENSION PLAN LIABILITY AND RELATED RATIOS
HERS PENSION PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

| | 2015 | 2014 |
|--|------------------------------|------------------------------|
| Total pension liability | | |
| Service cost | \$ 112,348 | \$ 373,903 |
| Interest | 12,183,886 | 12,518,593 |
| Differences between expected and actual experience | (425,331) | 296 |
| Benefit payments, including refunds of employee contributions | <u>(17,040,172)</u> | <u>(17,032,982)</u> |
| Net change in total pension liability | (5,169,269) | (4,140,190) |
| Total pension liability-beginning | <u>170,762,707</u> | <u>174,902,897</u> |
| Total pension liability-ending (a) | <u><u>\$ 165,593,438</u></u> | <u><u>\$ 170,762,707</u></u> |
| Plan fiduciary net position | | |
| Contributions-employer | \$ 8,880,839 | \$ 6,628,122 |
| Net investment income | 5,361,684 | 20,494,864 |
| Benefit payments, including refunds of employee contributions | (17,040,172) | (17,032,982) |
| Administrative expense | <u>(299,195)</u> | <u>(278,663)</u> |
| Net change in plan fiduciary net position | (3,096,844) | 9,811,341 |
| Plan fiduciary net position-beginning | <u>133,261,624</u> | <u>123,450,283</u> |
| Plan fiduciary net position-ending (b) | <u><u>\$ 130,164,780</u></u> | <u><u>\$ 133,261,624</u></u> |
| Net pension liability-ending (a)-(b) | <u><u>\$ 35,428,658</u></u> | <u><u>\$ 37,501,083</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 78.61 % | 78.04 % |
| Covered-employee payroll | \$ 6,085,814 | \$ 10,188,093 |
| Net pension liability as a percentage of covered-employee payroll | 582.15 % | 368.09 % |

Notes to Schedule:

- 1) Benefit Changes: No benefit changes were enacted in 2015.
- 2) Changes in assumptions: No assumptions were changed in 2015.
- 3) GASB 68 requires 10- year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CONTRIBUTIONS TO HERS
HERS PENSION PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

| | 2015 | 2014 |
|--|------------------|-------------------|
| Actuarially determined contribution | \$ 8,880,839 | \$ 6,628,122 |
| Contributions in relation to the actuarially determined contribution | 8,880,839 | 6,628,122 |
| Contribution deficiency (excess) | <u>\$</u> | <u>\$</u> |
| Covered-employee payroll | \$ 6,085,814 | \$ 10,188,093 |
| Contributions as a percentage of covered-employee payroll | 145.93 % | 65.06 % |

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CHANGES IN THE CITY'S VRS PENSION PLAN LIABILITY AND RELATED RATIOS
VRS RETIREMENT PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

| | 2015 |
|--|------------------------------|
| Total pension liability | |
| Service cost | \$ 10,938,812 |
| Interest | 34,999,056 |
| Benefit payments, including refunds of employee contributions | <u>(26,861,136)</u> |
| Net change in total pension liability | 19,076,732 |
| Total pension liability-beginning | 513,417,080 |
| Total pension liability-ending (a) | <u><u>\$ 532,493,812</u></u> |
| Plan fiduciary net position | |
| Contributions-employer | \$ 16,046,763 |
| Contributions-employee | 4,400,548 |
| Net investment income | 56,039,049 |
| Benefit payments, including refunds of employee contributions | (26,861,136) |
| Administrative expense | (304,392) |
| Other | <u>2,953</u> |
| Net change in plan fiduciary net position | 49,323,785 |
| Plan fiduciary net position-beginning | 358,451,093 |
| Plan fiduciary net position-ending (b) | <u><u>\$ 407,774,878</u></u> |
| Net pension liability-ending (a)-(b) | <u><u>\$ 124,718,934</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 76.58 % |
| Covered-employee payroll | \$ 86,428,123 |
| Net pension liability as a percentage of covered-employee payroll | 144.30 % |

Notes to Schedule:

- 1) Benefit Changes: There have been no significant changes to the benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new define contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.
- 2) Changes in assumptions: Changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the Plan for the four-year period ending June 30, 2012. Changes were made the mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduced rates of salary increase by .25% per year, increase in rates of withdrawal.
- 3) GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

**CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CITY'S CONTRIBUTIONS TO VRS
VRS RETIREMENT PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED**

| | 2015 |
|--|---------------|
| Actuarially determined contribution | \$ 15,816,817 |
| Contributions in relation to the actuarially determined contribution | 15,816,817 |
| Contribution deficiency (excess) | \$ |
| Covered-employee payroll | \$ 85,774,496 |
| Contributions as a percentage of covered-employee payroll | 18.44 % |

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CHANGES IN THE SCHOOL BOARD'S VRS NONPROFESSIONAL EMPLOYEES NET PENSION
PLAN LIABILITY AND RELATED RATIOS
VRS RETIREMENT PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

| | 2015 |
|--|----------------------|
| Total pension liability | |
| Service cost | \$ 813,234 |
| Interest | 1,973,760 |
| Benefit payments, including refunds of employee contributions | (1,828,117) |
| Net change in total pension liability | 958,877 |
| Total pension liability-beginning | 29,110,626 |
| Total pension liability-ending (a) | <u>\$ 30,069,503</u> |
| Plan fiduciary net position | |
| Contributions-employer | \$ 900,981 |
| Contributions-employee | 372,764 |
| Net investment income | 3,582,353 |
| Benefit payments, including refunds of employee contributions | (1,828,117) |
| Administrative expense | (19,666) |
| Other | 188 |
| Net change in plan fiduciary net position | 3,008,503 |
| Plan fiduciary net position-beginning | 23,039,926 |
| Plan fiduciary net position-ending (b) | <u>\$ 26,048,429</u> |
| Net pension liability-ending (a)-(b) | <u>\$ 4,021,074</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 86.63 % |
| Covered-employee payroll | \$ 7,346,439 |
| Net pension liability as a percentage of covered-employee payroll | 54.74 % |

Notes to Schedule:

- 1)Benefit Changes: There have been no significant changes to the benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new define contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on January 1,2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30,2013 and the impact on the liabilities as of the measurement date of June 30,2014 are minimal.
- 2)Changes in assumptions: Changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the Plan for the four-year period ending June 30, 2012. Changes were made the mortality table, decrease in rates of service retirement , decrease in rates of disability retirement, reduced rates of salary increase by .25% per year, increase in rates of withdrawal.
- 3) GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF SCHOOL BOARD'S NONPROFESSIONAL EMPLOYEES CONTRIBUTIONS TO VRS
VRS RETIREMENT PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

| | 2015 |
|--|--------------|
| Actuarially determined contribution | \$ 411,361 |
| Contributions in relation to the actuarially determined contribution | 411,361 |
| Contribution deficiency (excess) | \$ |
| Covered-employee payroll | \$ 3,805,375 |
| Contributions as a percentage of covered-employee payroll | 10.81 % |

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF THE SCHOOL BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
VRS TEACHERS PENSION PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

| | <u>2015</u> |
|--|----------------|
| School Board's proportion of the net pension liability (asset) | 1.50 % |
| School Board's proportionate share of the net pension liability (asset) | \$ 181,847,000 |
| School Board's covered-employee payroll | \$ 110,044,447 |
| School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 165.25 % |
| Plan fiduciary net position as a percentage of the total pension liability | 70.88 % |

Notes to Schedule:

- 1))Benefit Changes: There have been no significant changes to the benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new define contribution component was adopted in 2012. The hybrid plan applies to most new employees hired on January 1,2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the Plan after the valuation date of June 30,2013 and the impact on the liabilities as of the measurement date of June 30,2014 are minimal.
- 2) Changes in assumptions: Changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the Plan for the four-year period ending June 30, 2012. Changes were made the mortality table, adjustments to the rates of service retirements, decrease in rates of disability, reduced rates of salary increase by .25% per year, and decrease in rates of withdrawals for 3 through 9 years of service.
- 3) GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF COMPONENT UNIT- SCHOOL BOARD'S CONTRIBUTIONS
VRS TEACHERS PENSION PLAN
LAST 10 FISCAL YEARS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED

| | 2015 |
|---|----------------------------|
| Contractually required contribution | \$ 19,270,757 |
| Contribution in relation to the contractually required contribution | <u>15,356,866</u> |
| Contribution deficiency (excess) | <u><u>\$ 3,913,891</u></u> |
| School Board's covered-employee payroll | \$ 105,909,421 |
| Contributions as a percentage of covered-employee payroll | 14.5 % |

Notes to Schedule

Valuation Date :

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

GASB 68 requires 10-year trend information. Fiscal year 2015 is the first year of implementation.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF FUNDING PROGRESS-
OTHER POST-RETIREMENT BENEFIT PLANS
REQUIRED SUPPLEMENTAL INFORMATION-UNAUDITED
Fiscal Year Ended June 30, 2015

City of Hampton:

City of Hampton Post-Retirement Healthcare Benefits:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)- PUC (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|-------------------------------------|--------------------------|---------------------------|--|
| 6/30/13 | | \$ 63,014,400 | \$ 63,014,400 | 0 % | \$ 82,676,803 | 76 % |
| 6/30/14 | | 63,663,962 | 63,663,962 | 0 % | 86,642,952 | 73 % |
| 6/30/15 | | 71,286,975 | 71,286,975 | 0 % | 88,537,233 | 81 % |

City of Hampton Other Post-Retirement Line of Duty Benefits:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)- PUC (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|-------------------------------------|--------------------------|---------------------------|--|
| 6/30/13 | | \$ 9,800,827 | \$ 9,800,827 | 0 % | \$ 28,836,345 | 34 % |
| 6/30/14 | | 10,084,094 | 10,084,094 | 0 % | 28,231,933 | 36 % |
| 6/30/15 | | 7,755,931 | 7,755,931 | 0 % | 30,057,556 | 26 % |

Component Unit-School Board Post-Retirement Healthcare Benefits:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL)- PUC (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|-------------------------------------|--------------------------|---------------------------|--|
| 6/30/13 | | \$ 12,451,539 | \$ 12,451,539 | 0 % | \$ 114,917,501 | 11 % |
| 6/30/14 | | 9,073,373 | 9,073,373 | 0 % | 113,101,670 | 8 % |
| 6/30/15 | | 5,383,740 | 5,383,740 | 0 % | 108,649,954 | 5 % |

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**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
BALANCE SHEET
June 30, 2015**

| | | |
|--|----|--------------------|
| Assets: | | |
| Cash and cash equivalents | \$ | 83,753,558 |
| Investments | | 14,000,458 |
| Accounts receivables: | | |
| Taxes (net of allowance for uncollectible of \$1,433,622) | | 9,418,807 |
| Due from other governments | | 10,359,639 |
| Other | | 1,141,826 |
| Due from other funds | | 9,937,252 |
| Due from component units | | 1,777 |
| Inventories | | 13,849 |
| Prepaid items | | 584,475 |
| Total assets | \$ | <u>129,211,641</u> |
| Liabilities: | | |
| Accounts payable | \$ | 8,314,089 |
| Accrued health insurance | | 11,039,493 |
| Accrued liabilities | | 3,432,744 |
| Due to other funds | | 3,785,031 |
| Due to component units | | 7,187 |
| Unearned revenue | | 150,406 |
| Total liabilities | | <u>26,728,950</u> |
| Deferred inflows of resources: | | |
| Unavailable revenue-property taxes | | 7,611,036 |
| Property taxes collected in advance | | 1,620,607 |
| Total deferred inflows of resources | | <u>9,231,643</u> |
| Fund balances: | | |
| Nonspendable | | 598,324 |
| Restricted | | 344,972 |
| Committed | | 34,959,103 |
| Assigned | | 5,236,726 |
| Unassigned | | 52,111,923 |
| Total fund balances | | <u>93,251,048</u> |
| Total liabilities, deferred inflows of resources and fund balances | \$ | <u>129,211,641</u> |

These statements exclude special revenue fund Pearl Young which is included in the
General Fund basic statements due to the implementation of GASB 54.

CITY OF HAMPTON, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual | Variance with |
|--|-------------------------|---------------|---------------|----------------------|
| | Original | Final | | Final Budget |
| | | | | Over (Under) |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| From the Commonwealth of Virginia | \$ 38,590,598 | \$ 54,457,598 | \$ 53,025,330 | \$ (1,432,268) |
| From the Federal government | 8,780,939 | 8,780,939 | 9,091,195 | 310,256 |
| Local taxes | 246,624,727 | 230,405,798 | 230,933,123 | 527,325 |
| Special assessments | 4,826,635 | 4,826,635 | 4,182,877 | (643,758) |
| Licenses and permits | 1,234,019 | 1,234,019 | 1,298,883 | 64,864 |
| Fines and forfeitures | 2,242,118 | 2,242,118 | 1,967,230 | (274,888) |
| Revenues from use of money and property | 364,707 | 364,707 | 454,047 | 89,340 |
| Charges for services | 9,454,149 | 9,454,149 | 9,231,186 | (222,963) |
| Recovered costs | 906,000 | 906,000 | 906,000 | |
| Payment from component units | 2,000,000 | 2,000,000 | 2,000,042 | 42 |
| Miscellaneous | 3,864,157 | 3,864,157 | 4,012,640 | 148,483 |
| Total revenues | 318,888,049 | 318,536,120 | 317,102,553 | (1,433,567) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 105,436,121 | 107,787,096 | 101,211,517 | (6,575,579) |
| Public safety | 48,562,820 | 48,898,856 | 48,021,370 | (877,486) |
| Highways and streets | 2,142,124 | 2,202,854 | 1,908,348 | (294,506) |
| Health | 2,720,115 | 2,752,174 | 2,604,809 | (147,365) |
| Human services | 20,628,333 | 20,494,218 | 19,034,980 | (1,459,238) |
| Culture and recreation | 12,763,756 | 13,171,345 | 12,521,859 | (649,486) |
| Education | 72,787,630 | 73,297,236 | 73,241,020 | (56,216) |
| Total expenditures | 265,040,899 | 268,603,779 | 258,543,903 | (10,059,876) |
| Excess of revenues over (under) expenditures | 53,847,150 | 49,932,341 | 58,558,650 | 8,626,309 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 116,000 | 116,000 | 117,340 | 1,340 |
| Transfers out | (61,974,587) | (64,898,192) | (57,133,810) | (7,764,382) |
| Net other financing sources (uses) | (61,858,587) | (64,782,192) | (57,016,470) | 7,765,722 |
| Net change in fund balances | (8,011,437) | (14,849,851) | 1,542,180 | \$ 16,392,031 |
| Appropriations from fund balance | 8,011,437 | 14,129,475 | | |
| Appropriations - encumbrances | | 720,376 | | |
| Fund balance - July 1 | | | 91,708,868 | |
| Fund balance - June 30 | \$ | \$ | \$ 93,251,048 | |

These statements exclude special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

| | Budget | Net | Final | | Variance |
|--|---------------------|----------------|----------------------|----------------|-----------------|
| | July 1, 2014 | Changes | June 30, 2015 | Actual | Over |
| | | | | | (Under) |
| General property taxes: | | | | | |
| Real estate | \$ 124,941,664 | \$ | \$ 124,941,664 | \$ 125,308,765 | \$ 367,101 |
| Public service | 3,665,188 | | 3,665,188 | 3,841,490 | 176,302 |
| Personal property | 38,540,098 | (15,453,929) | 23,086,169 | 22,685,297 | (400,872) |
| Mobile homes | 40,910 | | 40,910 | 41,816 | 906 |
| Machinery and tools | 2,150,625 | | 2,150,625 | 2,338,831 | 188,206 |
| Delinquent taxes | 450,000 | | 450,000 | 330,768 | (119,232) |
| Penalty | 1,009,000 | | 1,009,000 | 980,337 | (28,663) |
| Total general property taxes | 170,797,485 | (15,453,929) | 155,343,556 | 155,527,304 | 183,748 |
| Other local taxes: | | | | | |
| Utility-electric and gas | 5,000,000 | | 5,000,000 | 4,915,828 | (84,172) |
| Communications sales tax | 9,232,518 | | 9,232,518 | 9,172,979 | (59,539) |
| Tobacco | 4,300,000 | | 4,300,000 | 4,077,120 | (222,880) |
| Business license | 12,390,000 | (765,000) | 11,625,000 | 11,435,245 | (189,755) |
| Short-term rental | 72,000 | | 72,000 | 91,234 | 19,234 |
| Sales and use | 14,474,631 | | 14,474,631 | 15,050,331 | 575,700 |
| Recordation | 1,250,000 | | 1,250,000 | 1,361,935 | 111,935 |
| Public right of way | 550,383 | | 550,383 | 526,984 | (23,399) |
| Lodging and transit | 3,412,919 | | 3,412,919 | 3,481,781 | 68,862 |
| Amusement | 1,305,394 | | 1,305,394 | 1,088,002 | (217,392) |
| Meal | 18,898,627 | | 18,898,627 | 19,470,911 | 572,284 |
| Motor vehicle | 4,403,135 | | 4,403,135 | 4,273,362 | (129,773) |
| Bank stock | 477,635 | | 477,635 | 456,550 | (21,085) |
| License tax - pari-mutuel | 60,000 | | 60,000 | 3,557 | (56,443) |
| Total other local taxes | 75,827,242 | (765,000) | 75,062,242 | 75,405,819 | 343,577 |
| License, permits and privilege fees: | | | | | |
| Animal licenses | 55,000 | | 55,000 | 41,005 | (13,995) |
| Street and taxi permits | 136,000 | | 136,000 | 195,631 | 59,631 |
| Zoning and land use | 249,875 | | 249,875 | 302,374 | 52,499 |
| Building permits | 771,544 | | 771,544 | 732,496 | (39,048) |
| Miscellaneous | 21,600 | | 21,600 | 27,377 | 5,777 |
| Total license, permits and privilege fees | 1,234,019 | | 1,234,019 | 1,298,883 | 64,864 |
| Total fines and forfeitures | 2,242,118 | | 2,242,118 | 1,967,230 | (274,888) |
| Special assessments: | | | | | |
| Peninsula Town Center CDA | 3,474,000 | | 3,474,000 | 3,137,417 | (336,583) |
| H2O CDA | 601,277 | | 601,277 | 270,865 | (330,412) |
| Coliseum BID | 530,100 | | 530,100 | 536,885 | 6,785 |
| Downtown BID | 173,827 | | 173,827 | 190,429 | 16,602 |
| Elizabeth Lakes | 47,431 | | 47,431 | 47,281 | (150) |
| Total special assessments | 4,826,635 | | 4,826,635 | 4,182,877 | (643,758) |
| Revenue from use of money and property: | | | | | |
| Interest on investments | 177,815 | | 177,815 | 135,743 | (42,072) |
| Rental of property | 10,873 | | 10,873 | 40,317 | 29,444 |
| Sale of materials and property | 65,019 | | 65,019 | 159,587 | 94,568 |
| Vending machines | 3,000 | | 3,000 | 11,527 | 8,527 |
| Parking fees | 48,000 | | 48,000 | 43,631 | (4,369) |
| Billboard revenue | 60,000 | | 60,000 | 67,531 | 7,531 |
| Net increase (decrease) in fair value of investments | | | | (4,289) | (4,289) |
| Total revenue from use of money and property | \$ 364,707 | \$ | \$ 364,707 | \$ 454,047 | \$ 89,340 |

continued

This schedule exclude special revenue fund Pearl Young which is included in the General Fund basic financial statements due to the implementation of GASB 54.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

| | Budget | Net | Final | | Variance |
|---|---------------------|----------------|----------------------|---------------|-----------------|
| | July 1, 2014 | Changes | June 30, 2015 | Actual | Over |
| | | | | | (Under) |
| Charges for services: | | | | | |
| Fees: | | | | | |
| Court costs | \$ 1,000 | \$ | \$ 1,000 | \$ 804 | \$ (196) |
| Clerk | 90,000 | | 90,000 | 32,600 | (57,400) |
| Court officers | 26,000 | | 26,000 | 32,496 | 6,496 |
| Parks and Recreation | 1,023,642 | | 1,023,642 | 1,084,488 | 60,846 |
| Youth, Education, and Family Services | 1,242,741 | | 1,242,741 | 1,326,744 | 84,003 |
| Sheriff | 55,376 | | 55,376 | 46,564 | (8,812) |
| Library | 50,000 | | 50,000 | 33,724 | (16,276) |
| Jail admission fee | 8,350 | | 8,350 | 11,750 | 3,400 |
| Ambulance services | 3,768,250 | | 3,768,250 | 4,179,299 | 411,049 |
| Fire Prevention | 207,850 | | 207,850 | 206,902 | (948) |
| Public education grant fees | 200,000 | | 200,000 | 213,777 | 13,777 |
| Passport applications | 50,000 | | 50,000 | 67,330 | 17,330 |
| Miscellaneous charges for services | 173,000 | | 173,000 | 198,486 | 25,486 |
| Landfill host fees | 928,128 | | 928,128 | 812,262 | (115,866) |
| Payment in lieu of taxes-Fort Monroe | 1,629,812 | | 1,629,812 | 983,960 | (645,852) |
| Total charges for services | 9,454,149 | | 9,454,149 | 9,231,186 | (222,963) |
| Miscellaneous revenue: | | | | | |
| Payment in lieu of taxes-other | 75,000 | | 75,000 | 66,957 | (8,043) |
| Returned check charges | 14,010 | | 14,010 | 7,934 | (6,076) |
| Unemployment fees | 4,000 | | 4,000 | 3,484 | (516) |
| School reimbursement | 1,450,551 | | 1,450,551 | 1,439,685 | (10,866) |
| Indirect cost | 935,745 | | 935,745 | 935,745 | |
| Other | 1,384,851 | | 1,384,851 | 1,558,835 | 173,984 |
| Total miscellaneous revenue | 3,864,157 | | 3,864,157 | 4,012,640 | 148,483 |
| Recovered costs: | | | | | |
| Jail operations | 729,667 | | 729,667 | 854,283 | 124,616 |
| Probation | 8,500 | | 8,500 | 7,263 | (1,237) |
| NASA fire services | 906,000 | | 906,000 | 906,000 | |
| Miscellaneous | 150,000 | | 150,000 | 246,809 | 96,809 |
| Total recovered costs | 1,794,167 | | 1,794,167 | 2,014,355 | 220,188 |
| Noncategorical aid - state: | | | | | |
| Reduction in state aid to local governments | | | | (678,208) | (678,208) |
| Personal property tax relief reimbursement | 15,904 | 15,438,025 | 15,453,929 | 15,453,929 | |
| Vehicle rental tax | 373,448 | | 373,448 | 384,190 | 10,742 |
| Railroad rolling stock tax | | 15,904 | 15,904 | 10,516 | (5,388) |
| Mobile home titling tax | 15,819 | | 15,819 | 19,404 | 3,585 |
| Taxes on deeds | 356,086 | | 356,086 | 400,679 | 44,593 |
| State Share-FEMA | | | | 6,678 | 6,678 |
| Total noncategorical aid - state | 761,257 | 15,453,929 | 16,215,186 | 15,597,188 | (617,998) |
| Shared expenses - state: | | | | | |
| Sheriff | 6,326,735 | | 6,326,735 | 6,168,971 | (157,764) |
| Commonwealth Attorney | 1,301,392 | | 1,301,392 | 1,319,669 | 18,277 |
| Commissioner of Revenue | 284,688 | | 284,688 | 287,765 | 3,077 |
| Treasurer | 256,646 | | 256,646 | 266,418 | 9,772 |
| Clerk of Courts | 762,543 | | 762,543 | 785,634 | 23,091 |
| Registrar-election board | 50,341 | | 50,341 | 52,103 | 1,762 |
| Total shared expenses - state | \$ 8,982,345 | \$ | \$ 8,982,345 | \$ 8,880,560 | \$ (101,785) |

continued

This schedule exclude special revenue fund Pearl Young which is included in the General Fund basic financial statements due to the implementation of GASB 54.

CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

| | Budget July 1, 2014 | Net Changes | Final June 30, 2015 | Actual | Variance Over (Under) |
|---|--------------------------------|------------------------|--------------------------------|-----------------------|--------------------------------------|
| Categorical aid - state: | | | | | |
| Public assistance | \$ 5,586,728 | \$ | \$ 5,586,728 | \$ 4,730,993 | \$ (855,735) |
| Police | 6,792,817 | | 6,792,817 | 6,523,452 | (269,365) |
| Street and highway maintenance | 14,725,359 | 413,071 | 15,138,430 | 15,138,430 | |
| E911 wireless grant | 409,000 | | 409,000 | 447,599 | 38,599 |
| Public library books | 165,200 | | 165,200 | 163,524 | (1,676) |
| Virginia juvenile block grant | 279,725 | | 279,725 | 315,703 | 35,978 |
| State funds | | | | 119,528 | 119,528 |
| Total categorical aid - state | <u>27,958,829</u> | <u>413,071</u> | <u>28,371,900</u> | <u>27,439,229</u> | <u>(932,671)</u> |
| Categorical aid - federal: | | | | | |
| Pass thru-public assistance | 8,132,439 | | 8,132,439 | 8,438,580 | 306,141 |
| Pass thru-Healthy Families | 400,000 | | 400,000 | 387,290 | (12,710) |
| Pass thru-Federal Rad. Emergency Response | 20,500 | | 20,500 | 14,035 | (6,465) |
| Total categorical aid - federal | <u>8,552,939</u> | | <u>8,552,939</u> | <u>8,839,905</u> | <u>286,966</u> |
| Noncategorical aid - federal | | | | | |
| Federal Share-FEMA | | | | 23,289 | 23,289 |
| Indirect costs-total | <u>228,000</u> | | <u>228,000</u> | <u>228,000</u> | |
| Total noncategorical aid - federal | <u>228,000</u> | | <u>228,000</u> | <u>251,289</u> | <u>23,289</u> |
| Total revenues | <u>316,888,049</u> | <u>413,071</u> | <u>316,536,120</u> | <u>315,102,512</u> | <u>(1,433,608)</u> |
| Other credits: | | | | | |
| Component unit-EDA Fund | | | | 42 | 42 |
| Transfer from Solid Waste Fund | 116,000 | | 116,000 | 116,000 | |
| Transfer from Grants Fund | | | | 1,340 | 1,340 |
| Component Unit-Schools | <u>2,000,000</u> | | <u>2,000,000</u> | <u>2,000,000</u> | |
| Total transfers | <u>2,116,000</u> | | <u>2,116,000</u> | <u>2,117,382</u> | <u>1,382</u> |
| Total revenues and transfers | <u>319,004,049</u> | <u>413,071</u> | <u>318,652,120</u> | <u>317,219,894</u> | <u>(1,432,226)</u> |
| Appropriations from fund balance | 8,011,437 | 6,118,038 | 14,129,475 | 10,806,022 | (3,323,453) |
| Appropriations-encumbrances | | | | 2,428,885 | 2,428,885 |
| Total appropriations | <u>8,011,437</u> | <u>6,118,038</u> | <u>14,129,475</u> | <u>13,234,907</u> | <u>(894,568)</u> |
| Total revenues and other credits | <u>\$ 327,015,486</u> | <u>\$ 6,531,109</u> | <u>\$ 332,781,595</u> | <u>\$ 330,454,801</u> | <u>\$ (2,326,794)</u> |

These statements exclude special revenue fund Pearl Young which is included in the
General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015**

| | Appropriations | | | Expenditures | | | | Variance Under (Over) |
|-----------------------------|------------------------|-------------|------------------------|----------------------|---------------------------|----------------|------------|-----------------------------|
| | Budget July 1, 2014 | Net Changes | Final June 30, 2015 | Personal Services | Operating Expenditures | Capital Outlay | Total | |
| General Government | | | | | | | | |
| Legislative: | | | | | | | | |
| Municipal Council | \$ 473,859 | \$ 20,754 | \$ 494,613 | \$ 367,206 | \$ 126,484 | \$ - | \$ 493,690 | \$ 923 |
| Legislative - Total | 473,859 | 20,754 | 494,613 | 367,206 | 126,484 | - | 493,690 | 923 |
| Executive: | | | | | | | | |
| City Manager | 1,208,240 | 46,180 | 1,254,420 | 1,040,297 | 72,305 | 4,192 | 1,116,794 | 137,626 |
| 311 Customer Call Center | 463,618 | 18,501 | 482,119 | 407,097 | 67,791 | - | 474,888 | 7,231 |
| Citizens Unity Commission | 150,477 | 2,476 | 152,953 | 100,294 | 44,661 | 1,256 | 146,211 | 6,742 |
| Marketing, INC | 749,664 | (4,549) | 745,115 | 384,970 | 270,020 | 6,430 | 661,420 | 83,695 |
| Internal Audit | 167,736 | 960 | 168,696 | 143,351 | 15,703 | 1,460 | 160,514 | 8,182 |
| Executive - Total | 2,739,735 | 63,568 | 2,803,303 | 2,076,009 | 470,480 | 13,338 | 2,559,827 | 243,476 |
| City Attorney: | | | | | | | | |
| Law-City Attorney | 995,594 | 66,681 | 1,062,275 | 948,984 | 78,534 | 3,402 | 1,030,920 | 31,355 |
| City Attorney - Total | 995,594 | 66,681 | 1,062,275 | 948,984 | 78,534 | 3,402 | 1,030,920 | 31,355 |
| Human Resources-Total | 658,367 | 72,354 | 730,721 | 541,885 | 112,781 | - | 654,666 | 76,055 |
| Judicial: | | | | | | | | |
| Clerk of Courts | 944,541 | 99,304 | 1,043,845 | 799,594 | 112,552 | - | 912,146 | 131,699 |
| Circuit Court | 397,716 | 2,758 | 400,474 | 318,678 | 44,097 | - | 362,775 | 37,699 |
| General District Court | 217,405 | 1,995 | 219,400 | 35,346 | 110,762 | - | 146,108 | 73,292 |
| District Court-J.D.R. | 49,101 | 7,420 | 56,521 | - | 39,157 | 6,182 | 45,339 | 11,182 |
| Commonwealth Attorney | 1,672,830 | 22,737 | 1,695,567 | 1,515,727 | 81,541 | - | 1,597,268 | 98,299 |
| City Sheriff-Administration | 2,212,519 | (607,952) | 1,604,567 | 1,258,570 | 258,811 | - | 1,517,381 | 87,186 |
| City Sheriff-Jail | 6,843,940 | 915,678 | 7,759,618 | 5,844,886 | 1,847,636 | 62,589 | 7,755,111 | 4,507 |
| Court Service Unit | 1,678,525 | 528,328 | 2,206,853 | 193,674 | 1,492,757 | - | 1,686,431 | 520,422 |
| Magistrates Office | 40,916 | (12,797) | 28,119 | 12,720 | 6,883 | - | 19,603 | 8,516 |
| Judicial - Total | 14,057,493 | 957,471 | 15,014,964 | 9,979,195 | 3,994,196 | 68,771 | 14,042,162 | 972,802 |

These statements exclude special revenue fund Pearl Young which is included in the
General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015**

| | Appropriations | | | Expenditures | | | | Variance Under (Over) |
|--|----------------|-------------|---------------|--------------|--------------|----------------|--------------|-----------------------------|
| | Budget | | Final | Personal | Operating | | | |
| | July 1, 2014 | Net Changes | June 30, 2015 | Services | Expenditures | Capital Outlay | Total | |
| General Government, concluded: | | | | | | | | |
| Boards and commissions: | | | | | | | | |
| Community Development | \$ 3,113,381 | \$ (2,090) | \$ 3,111,291 | \$ 2,504,452 | \$ 374,211 | \$ 52,420 | \$ 2,931,083 | \$ 180,208 |
| Elections Board | 158,607 | (13,375) | 145,232 | 40,314 | 51,304 | - | 91,618 | 53,614 |
| Registrar | 219,924 | 506 | 220,430 | 163,297 | 9,882 | 1,418 | 174,597 | 45,833 |
| Development | 987,166 | 266,872 | 1,254,038 | 701,728 | 171,904 | 6,894 | 880,526 | 373,512 |
| Boards and Commissions - Total | 4,479,078 | 251,913 | 4,730,991 | 3,409,791 | 607,301 | 60,732 | 4,077,824 | 653,167 |
| | | | | | | | | |
| Agriculture - Extension Agent - Total | 65,654 | 300 | 65,954 | 45,683 | 20,226 | - | 65,909 | 45 |
| | | | | | | | | |
| Nondepartmental: | | | | | | | | |
| Nondepartmental | 24,766,170 | 857,196 | 25,623,366 | 12,668 | 23,570,793 | - | 23,583,461 | 2,039,905 |
| Civic and community support | 1,070,969 | 15 | 1,070,984 | - | 1,056,556 | - | 1,056,556 | 14,428 |
| Other | 2,629,763 | (653,695) | 1,976,068 | - | 1,487,410 | - | 1,487,410 | 488,658 |
| Nondepartmental - Total | 28,466,902 | 203,516 | 28,670,418 | 12,668 | 26,114,759 | - | 26,127,427 | 2,542,991 |
| | | | | | | | | |
| Finance: | | | | | | | | |
| Commissioner of Revenue | 1,244,562 | (12,847) | 1,231,715 | 1,001,707 | 167,692 | 26,079 | 1,195,478 | 36,237 |
| Assessor of Real Estate | 1,111,851 | 39,403 | 1,151,254 | 989,605 | 114,618 | 31,892 | 1,136,115 | 15,139 |
| City Treasurer | 1,646,112 | (25,211) | 1,620,901 | 1,129,598 | 413,142 | 337 | 1,543,077 | 77,824 |
| Consolidated Procurement | 392,033 | 2,257 | 394,290 | 308,648 | 40,542 | - | 349,190 | 45,100 |
| Independent Auditors | 200,475 | 13,429 | 213,904 | - | 204,782 | - | 204,782 | 9,122 |
| Finance | 805,532 | 315,082 | 1,120,614 | 701,952 | 85,463 | 15,363 | 802,778 | 317,836 |
| Information Technology | 2,966,955 | 282,534 | 3,249,489 | 1,081,095 | 1,866,906 | 153,730 | 3,101,731 | 147,758 |
| Finance - Total | 8,367,520 | 614,647 | 8,982,167 | 5,212,605 | 2,893,145 | 227,401 | 8,333,151 | 649,016 |
| | | | | | | | | |
| Retirement and Employee Benefits Total | 39,327,066 | 55,943 | 39,383,009 | 3,571,102 | 34,479,895 | - | 38,050,997 | 1,332,012 |

These statements exclude special revenue fund Pearl Young which is included in the
General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015**

| | Appropriations | | | Expenditures | | | | Variance Under (Over) |
|----------------------------|----------------|-------------|---------------|---------------|---------------|----------------|---------------|-----------------------------|
| | Budget | Net Changes | Final | Personal | Operating | Capital Outlay | Total | |
| | July 1, 2014 | | June 30, 2015 | Services | Expenditures | | | |
| Public Works: | | | | | | | | |
| Administration | \$ 203,578 | \$ 12,905 | \$ 216,483 | \$ 173,813 | \$ 41,924 | \$ - | \$ 215,737 | \$ 746 |
| Engineering | 576,311 | 5,432 | 581,743 | 510,655 | 60,637 | - | 571,292 | 10,451 |
| Property Maintenance | 4,303,518 | 21,755 | 4,325,273 | 1,169,387 | 3,099,431 | 1,206 | 4,270,024 | 55,249 |
| Parking Facilities | 721,446 | 3,736 | 725,182 | 30,883 | 687,004 | - | 717,887 | 7,295 |
| Public Works - Total | 5,804,853 | 43,828 | 5,848,681 | 1,884,738 | 3,888,996 | 1,206 | 5,774,940 | 73,741 |
| General Government - Total | 105,436,121 | 2,350,975 | 107,787,096 | 28,049,866 | 72,786,797 | 374,850 | 101,211,513 | 6,575,583 |
| Public Safety: | | | | | | | | |
| Police Division | 22,676,954 | 176,621 | 22,853,575 | 18,605,464 | 3,828,201 | 101,496 | 22,535,161 | 318,414 |
| Traffic Engineering | 2,916,741 | (9,774) | 2,906,967 | 579,255 | 2,139,801 | 2,795 | 2,721,851 | 185,116 |
| Fire Division | 19,217,853 | 302,248 | 19,520,101 | 15,751,886 | 3,660,633 | 44,368 | 19,456,887 | 63,214 |
| Emergency Management | 288,633 | 8,630 | 297,263 | 226,956 | 35,688 | 13,932 | 276,576 | 20,687 |
| E911 | 2,661,547 | (138,595) | 2,522,952 | 1,942,927 | 420,611 | 37,168 | 2,400,706 | 122,246 |
| Animal Control | 456,092 | (3,095) | 452,997 | 265,491 | 134,441 | - | 399,932 | 53,065 |
| Youth Violence Prevention | 345,000 | - | 345,000 | 101,234 | 129,021 | - | 230,255 | 114,745 |
| Public Safety - Total | \$ 48,562,820 | \$ 336,035 | \$ 48,898,855 | \$ 37,473,213 | \$ 10,348,396 | \$ 199,759 | \$ 48,021,368 | \$ 877,487 |
| Highways and Streets-Total | 2,142,124 | 60,730 | 2,202,854 | 1,024,734 | 803,081 | 80,533 | 1,908,348 | 294,506 |

These statements exclude special revenue fund Pearl Young which is included in the
General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015**

| | Appropriations | | | Expenditures | | | | Variance |
|---------------------------------------|-------------------|------------------|-------------------|------------------|------------------|----------------|-------------------|--------------------------------------|
| | Budget | Net Changes | Final | Personal | Other | Capital Outlay | Total | Under Variance Under (Over) |
| | July 1, 2014 | | June 30, 2015 | Services | Expenditures | | | |
| Health: | | | | | | | | |
| Preventive Medicine | \$ 1,408,286 | \$ 26,640 | \$ 1,434,926 | \$ - | \$ 1,417,292 | \$ - | \$ 1,417,292 | \$ 17,634 |
| Drainage Maintenance | 1,311,829 | 5,420 | 1,317,249 | 674,118 | 513,399 | - | 1,187,517 | 129,732 |
| Health - Total | <u>2,720,115</u> | <u>32,060</u> | <u>2,752,175</u> | <u>674,118</u> | <u>1,930,691</u> | <u>-</u> | <u>2,604,809</u> | <u>147,366</u> |
| Human Services: | | | | | | | | |
| Administration | 12,015,862 | 37,018 | 12,052,880 | 7,050,644 | 4,380,811 | 40,875 | 11,472,330 | 580,550 |
| Public Assistance | 654,322 | - | 654,322 | - | 537,778 | - | 537,778 | 116,544 |
| Purchase of Services | 4,397,333 | (106,000) | 4,291,333 | - | 3,682,981 | - | 3,682,981 | 608,352 |
| Youth,Education and Family Services | 3,560,816 | (65,133) | 3,495,683 | 2,582,892 | 733,110 | 25,889 | 3,341,891 | 153,792 |
| Human Services - Total | <u>20,628,333</u> | <u>(134,115)</u> | <u>20,494,218</u> | <u>9,633,536</u> | <u>9,334,680</u> | <u>66,764</u> | <u>19,034,980</u> | <u>1,459,238</u> |
| Culture and Recreation: | | | | | | | | |
| Recreation | 4,181,354 | 38,711 | 4,220,065 | 2,706,219 | 1,304,579 | 148,542 | 4,159,340 | 60,725 |
| Parks | 5,913,123 | 292,253 | 6,205,376 | 1,805,702 | 3,958,330 | 55,837 | 5,819,869 | 385,507 |
| Conventions and Tourism | 2,319,961 | 76,625 | 2,396,586 | 671,064 | 1,559,665 | 2,070 | 2,232,799 | 163,787 |
| Hampton History Museum | 349,318 | - | 349,318 | 254,300 | 55,552 | - | 309,852 | 39,466 |
| Culture and Recreation - Total | <u>12,763,756</u> | <u>407,589</u> | <u>13,171,345</u> | <u>5,437,285</u> | <u>6,878,126</u> | <u>206,449</u> | <u>12,521,860</u> | <u>649,485</u> |

These statements exclude special revenue fund Pearl Young which is included in the
General Fund basic statements due to the implementation of GASB 54.

**CITY OF HAMPTON, VIRGINIA
GENERAL FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015**

| | Appropriations | | | Expenditures | | | | Variance |
|---|-----------------------|---------------------|-----------------------|----------------------|-----------------------|-------------------|-----------------------|----------------------|
| | Budget | | Final | Personal | Other | | | Under |
| | July 1, 2014 | Net Changes | June 30, 2015 | Services | Expenditures | Capital Outlay | Total | (Over) |
| Education: | | | | | | | | |
| School Operations | 70,612,223 | 500,000 | 71,112,223 | - | 71,112,223 | - | 71,112,223 | - |
| Public Library | 2,175,407 | 9,606 | 2,185,013 | 1,387,284 | 709,844 | 31,669 | 2,128,797 | 56,216 |
| Education - Total | <u>72,787,630</u> | <u>509,606</u> | <u>73,297,236</u> | <u>1,387,284</u> | <u>71,822,067</u> | <u>31,669</u> | <u>73,241,020</u> | <u>56,216</u> |
| Total expenditures | <u>265,040,899</u> | <u>3,562,880</u> | <u>268,603,779</u> | <u>83,680,036</u> | <u>173,903,838</u> | <u>960,024</u> | <u>258,543,898</u> | <u>10,059,881</u> |
| Operating Transfers Out: | | | | | | | | |
| Capital Projects Funds | 17,469,639 | 2,334,420 | 19,804,059 | - | 12,958,989 | - | 12,958,989 | 6,845,070 |
| Enterprise Funds | 8,222,042 | 424,169 | 8,646,211 | - | 8,608,483 | - | 8,608,483 | 37,728 |
| Special Revenue Funds | 2,119,984 | 195,016 | 2,315,000 | - | 2,171,014 | - | 2,171,014 | 143,986 |
| Debt Service Funds | 34,162,922 | (30,000) | 34,132,922 | - | 33,395,324 | - | 33,395,324 | 737,598 |
| Transfers - Total | <u>61,974,587</u> | <u>2,923,605</u> | <u>64,898,192</u> | <u>-</u> | <u>57,133,810</u> | <u>-</u> | <u>57,133,810</u> | <u>7,764,382</u> |
| Total expenditures and transfers | <u>\$ 327,015,486</u> | <u>\$ 6,486,485</u> | <u>\$ 333,501,971</u> | <u>\$ 83,680,036</u> | <u>\$ 231,037,648</u> | <u>\$ 960,024</u> | <u>\$ 315,677,708</u> | <u>\$ 17,824,263</u> |

These statements exclude special revenue fund Pearl Young which is included in the General Fund basic statements due to the implementation of GASB 54.

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2015

| | Federal Grants | Community Development | Stormwater Management | Pembroke Complex | Law Library | Total Non-major Governmental Funds |
|---|---------------------|--------------------------|--------------------------|---------------------|------------------|--|
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 446,257 | \$ 461,419 | \$ 9,929,562 | \$ 13,593 | \$ 86,639 | \$ 10,937,470 |
| Accounts receivables: | | | | | | |
| Due from other governments | 2,374,212 | 485,113 | | | | 2,859,325 |
| Other | 505,238 | | 431,370 | | 14 | 936,622 |
| Due from other funds | 318,971 | | 100,145 | 5,462 | | 424,578 |
| Total assets | <u>\$ 3,644,678</u> | <u>\$ 946,532</u> | <u>\$ 10,461,077</u> | <u>\$ 19,055</u> | <u>\$ 86,653</u> | <u>\$ 15,157,995</u> |
| Liabilities: | | | | | | |
| Accounts payable | \$ 893,067 | \$ 237,195 | \$ 59,682 | \$ 18,054 | \$ 3,104 | \$ 1,211,102 |
| Accrued liabilities | 27,277 | 3,487 | 20,004 | 685 | 215 | 51,668 |
| Due to other funds | 939,987 | | 12,490 | | | 952,477 |
| Total liabilities | <u>1,860,331</u> | <u>240,682</u> | <u>92,176</u> | <u>18,739</u> | <u>3,319</u> | <u>2,215,247</u> |
| Deferred inflows of resources: | | | | | | |
| Unavailable revenue-program income | | 705,850 | | | | 705,850 |
| Unavailable revenue-stormwater fees | | | 431,370 | | | 431,370 |
| Total deferred inflows of resources | | <u>705,850</u> | <u>431,370</u> | | | <u>1,137,220</u> |
| Fund balances: | | | | | | |
| Restricted | 1,699,475 | | 9,937,531 | 316 | 83,334 | 11,720,656 |
| Assigned | 84,872 | | | | | 84,872 |
| Total fund balances | <u>1,784,347</u> | | <u>9,937,531</u> | <u>316</u> | <u>83,334</u> | <u>11,805,528</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 3,644,678</u> | <u>\$ 946,532</u> | <u>\$ 10,461,077</u> | <u>\$ 19,055</u> | <u>\$ 86,653</u> | <u>\$ 15,157,995</u> |

CITY OF HAMPTON, VIRGINIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2015

| | Special Revenue | | | | | Total Non-major Governmental Funds |
|---|---------------------|--------------------------|--------------------------|---------------------|------------------|--|
| | Federal Grants | Community Development | Stormwater Management | Pembroke Complex | Law Library | |
| REVENUES | | | | | | |
| Intergovernmental revenues: | | | | | | |
| From the Commonwealth of Virginia | \$ 10,951,606 | \$ | \$ | \$ | \$ | 10,951,606 |
| From the Federal government | 2,302,013 | 1,971,453 | | | | 4,273,466 |
| Revenues from use of money and property | | | | 395,103 | 107 | 395,210 |
| Charges for services | | | 8,008,433 | | | 8,008,433 |
| Miscellaneous | 1,047,725 | 281,400 | | | 43,164 | 1,372,289 |
| Total revenues | <u>14,301,344</u> | <u>2,252,853</u> | <u>8,008,433</u> | <u>395,103</u> | <u>43,271</u> | <u>25,001,004</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 1,079,748 | 2,252,853 | | 412,010 | 61,058 | 3,805,669 |
| Public safety | 5,469,604 | | | | | 5,469,604 |
| Sanitation | | | 4,412,541 | | | 4,412,541 |
| Human services | 10,358,865 | | | | | 10,358,865 |
| Culture and recreation | 203,292 | | | | | 203,292 |
| Total expenditures | <u>17,111,509</u> | <u>2,252,853</u> | <u>4,412,541</u> | <u>412,010</u> | <u>61,058</u> | <u>24,249,971</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,810,165)</u> | | <u>3,595,892</u> | <u>(16,907)</u> | <u>(17,787)</u> | <u>751,033</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 2,273,130 | | | | | 2,273,130 |
| Transfers out | (1,340) | | (1,589,074) | | | (1,590,414) |
| Net other financing sources (uses) | <u>2,271,790</u> | | <u>(1,589,074)</u> | | | <u>682,716</u> |
| Net change in fund balances | <u>(538,375)</u> | | <u>2,006,818</u> | <u>(16,907)</u> | <u>(17,787)</u> | <u>1,433,749</u> |
| Fund balances, beginning of year | <u>2,322,722</u> | | <u>7,930,713</u> | <u>17,223</u> | <u>101,121</u> | <u>10,371,779</u> |
| Fund balances, end of year | <u>\$ 1,784,347</u> | <u>\$</u> | <u>\$ 9,937,531</u> | <u>\$ 316</u> | <u>\$ 83,334</u> | <u>\$ 11,805,528</u> |

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

| | Business-Type Activities - Non-Major Enterprise Funds | | | | |
|---------------------------------------|---|---------------------|---------------------|----------------------|----------------------|
| | Coliseum | Woodlands | Solid Waste | Refuse-Steam Plant | Totals |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 5,385,163 | \$ 800 | \$ 636,827 | \$ 3,457,171 | \$ 9,479,961 |
| Accounts receivable | 263,315 | 9,704 | 1,735,386 | 18,333 | 2,026,738 |
| Due from component units | | | 19,819 | | 19,819 |
| Inventories | 78,469 | 16,733 | | | 95,202 |
| Total current assets | <u>5,726,947</u> | <u>27,237</u> | <u>2,392,032</u> | <u>3,475,504</u> | <u>11,621,720</u> |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Land | 164,079 | 2,295,538 | 945,188 | | 3,404,805 |
| Buildings and improvements | 12,556,583 | 995,046 | | 35,869 | 13,587,498 |
| Improvements other than buildings | 7,234,583 | 755,532 | 2,971 | 18,927,796 | 26,920,882 |
| Computer software | 12,500 | | | 225,843 | 238,343 |
| Equipment | 812,091 | 546,432 | 11,284,339 | 3,229,709 | 15,872,571 |
| Landfill | | | 3,865,986 | | 3,865,986 |
| Construction in progress | | | | 1,438,771 | 1,438,771 |
| Less accumulated depreciation | <u>(14,667,890)</u> | <u>(1,818,424)</u> | <u>(10,360,317)</u> | <u>(16,538,780)</u> | <u>(43,385,411)</u> |
| Net capital assets | <u>6,111,946</u> | <u>2,774,124</u> | <u>5,738,167</u> | <u>7,319,208</u> | <u>21,943,445</u> |
| Total noncurrent assets | <u>6,111,946</u> | <u>2,774,124</u> | <u>5,738,167</u> | <u>7,319,208</u> | <u>21,943,445</u> |
| Total assets | <u>\$ 11,838,893</u> | <u>\$ 2,801,361</u> | <u>\$ 8,130,199</u> | <u>\$ 10,794,712</u> | <u>\$ 33,565,165</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Related to pensions | <u>242,228</u> | <u>58,767</u> | <u>364,067</u> | <u>363,187</u> | <u>1,028,250</u> |
| Total deferred outflows of resources | <u>242,228</u> | <u>58,767</u> | <u>364,067</u> | <u>363,187</u> | <u>1,028,250</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 348,304 | \$ 9,996 | \$ 229,309 | \$ 584,416 | \$ 1,172,025 |
| Accrued interest payable | | | | 44,386 | 44,386 |
| Accrued leave | 27,201 | 11,201 | 114,245 | 48,011 | 200,658 |
| Due to other funds | | 1,851,081 | | | 1,851,081 |
| Unearned revenue | 140,967 | | | | 140,967 |
| Current portion of long-term debt | | | | 373,837 | 373,837 |
| Other liabilities | <u>526,601</u> | <u>12,169</u> | <u>16,611</u> | <u>16,281</u> | <u>571,662</u> |
| Total current liabilities | <u>1,043,073</u> | <u>1,884,447</u> | <u>360,165</u> | <u>1,066,931</u> | <u>4,354,616</u> |
| Noncurrent liabilities: | | | | | |
| Accrued leave | 123,341 | 22,800 | 80,812 | 106,296 | 333,249 |
| Net pension liability | 2,023,326 | 503,157 | 2,960,883 | 3,115,338 | 8,602,704 |
| Bonds payable | | | | 3,236,593 | 3,236,593 |
| Total noncurrent liabilities | <u>2,146,667</u> | <u>525,957</u> | <u>3,041,695</u> | <u>6,458,227</u> | <u>12,172,546</u> |
| Total liabilities | <u>3,189,740</u> | <u>2,410,404</u> | <u>3,401,860</u> | <u>7,525,158</u> | <u>16,527,162</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Related to pensions | <u>306,402</u> | <u>66,139</u> | <u>514,027</u> | <u>404,901</u> | <u>1,291,469</u> |
| Total deferred inflows of resources | <u>306,402</u> | <u>66,139</u> | <u>514,027</u> | <u>404,901</u> | <u>1,291,469</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 6,111,946 | 2,774,124 | 5,738,167 | 3,708,778 | 18,333,015 |
| Unrestricted | <u>2,473,033</u> | <u>(2,390,539)</u> | <u>(1,159,788)</u> | <u>(480,938)</u> | <u>(1,558,232)</u> |
| Total net position | <u>\$ 8,584,979</u> | <u>\$ 383,585</u> | <u>\$ 4,578,379</u> | <u>\$ 3,227,840</u> | <u>\$ 16,774,783</u> |

CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

| | Business-Type Activities - Non-Major Enterprise Funds | | | | |
|--|---|-------------------|---------------------|---------------------|----------------------|
| | Coliseum | Woodlands | Solid Waste | Refuse-Steam Plant | Totals |
| Operating revenues: | | | | | |
| Charges for services | \$ 13,410,801 | \$ 605,072 | \$ 9,451,099 | \$ 7,129,875 | \$ 30,596,847 |
| Other | 2,609 | | | | 2,609 |
| Total operating revenues | <u>13,413,410</u> | <u>605,072</u> | <u>9,451,099</u> | <u>7,129,875</u> | <u>30,599,456</u> |
| Operating expenses: | | | | | |
| Personal services | 1,388,236 | 325,600 | 2,119,070 | 1,815,543 | 5,648,449 |
| Fringe benefits | 428,129 | 114,278 | 783,886 | 599,661 | 1,925,954 |
| Promoters fees | 6,514,291 | | | | 6,514,291 |
| City-sponsored events | 838,743 | | | | 838,743 |
| Cost of goods sold | 329,814 | 39,426 | | | 369,240 |
| Utilities | 288,483 | 70,308 | 1,172 | 498,161 | 858,124 |
| Insurance | 196,170 | 18,605 | 113,061 | 263,752 | 591,588 |
| Operating supplies | 124,913 | 49,598 | 201,330 | 682,875 | 1,058,716 |
| Equipmental rental | 21,474 | 52,721 | | 20,738 | 94,933 |
| Equipment and building repairs | 287,543 | 35,282 | 1,801,546 | 1,667,979 | 3,792,350 |
| Telephone and postage | 79,992 | 2,853 | 5,495 | 9,719 | 98,059 |
| General expense | 1,188,576 | 1,983 | 445,111 | 17,045 | 1,652,715 |
| Landfill costs | | | 3,099,380 | 613,883 | 3,713,263 |
| Contractual services | 721,977 | 36,215 | 367,318 | 76,551 | 1,202,061 |
| Indirect cost | | | 356,470 | 218,000 | 574,470 |
| Depreciation and amortization | 547,946 | 86,619 | 1,296,988 | 815,472 | 2,747,025 |
| Total operating expenses | <u>12,956,287</u> | <u>833,488</u> | <u>10,590,827</u> | <u>7,299,379</u> | <u>31,679,981</u> |
| Operating income (loss) | <u>457,123</u> | <u>(228,416)</u> | <u>(1,139,728)</u> | <u>(169,504)</u> | <u>(1,080,525)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Interest income | | | | 5,512 | 5,512 |
| Interest and fiscal charges | | | | (190,150) | (190,150) |
| Gain(loss) on disposal of capital assets | 1,776 | | (41,361) | (199,035) | (238,620) |
| Total nonoperating revenues (expenses) | <u>1,776</u> | <u></u> | <u>(41,361)</u> | <u>(383,673)</u> | <u>(423,258)</u> |
| Income (loss) before transfers and capital contributions | 458,899 | (228,416) | (1,181,089) | (553,177) | (1,503,783) |
| Transfers in(out) | <u>934,827</u> | <u></u> | <u>(171,000)</u> | <u></u> | <u>763,827</u> |
| Change in net position | <u>1,393,726</u> | <u>(228,416)</u> | <u>(1,352,089)</u> | <u>(553,177)</u> | <u>(739,956)</u> |
| Net position, beginning of year, as restated | <u>7,191,253</u> | <u>612,001</u> | <u>5,930,468</u> | <u>3,781,017</u> | <u>17,514,739</u> |
| Net position, end of year | <u>\$ 8,584,979</u> | <u>\$ 383,585</u> | <u>\$ 4,578,379</u> | <u>\$ 3,227,840</u> | <u>\$ 16,774,783</u> |

**CITY OF HAMPTON, VIRGINIA
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2015**

| | Coliseum | Woodlands | Solid Waste | Refuse-Steam Plant | Totals |
|---|---------------|--------------|----------------|-----------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash received from customers | \$ 12,714,667 | \$ 609,213 | \$ 9,936,126 | \$ 7,382,554 | \$ 30,642,560 |
| Cash payments to suppliers for goods and services | (10,792,118) | (283,730) | (7,247,153) | (4,702,041) | (23,025,042) |
| Cash payments to employees for services | (1,390,562) | (325,538) | (2,122,752) | (1,806,767) | (5,645,619) |
| Net cash provided by (used in) operating activities | 531,987 | (55) | 566,221 | 873,746 | 1,971,899 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers in from (out to) other funds | 934,827 | | (171,000) | | 763,827 |
| Net cash provided by (used in) noncapital financing activities | 934,827 | | (171,000) | | 763,827 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition and construction of capital assets | (117,763) | | | (1,851,589) | (1,969,352) |
| Sale of capital assets | 1,085 | | 29,806 | | 30,891 |
| Principal paid on revenue bond maturities and long-term debt | | | | (352,517) | (352,517) |
| Interest paid on revenue bonds and long-term debt | | | | (194,352) | (194,352) |
| Net cash provided by (used in) capital and related financing activities | (116,678) | | 29,806 | (2,398,458) | (2,485,330) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest and dividends on investments | | | | 5,512 | 5,512 |
| Net cash provided by (used in) investing activities | | | | 5,512 | 5,512 |
| Net increase (decrease) in cash and cash equivalents (including restricted amounts) | 1,350,136 | (55) | 425,027 | (1,519,200) | 255,908 |
| Cash and cash equivalents, July 1 | 4,035,027 | 855 | 211,800 | 4,976,371 | 9,224,053 |
| Cash and cash equivalents, June 30 | \$ 5,385,163 | \$ 800 | \$ 636,827 | \$ 3,457,171 | \$ 9,479,961 |
| Operating income (loss) | \$ 457,123 | \$ (228,416) | \$ (1,139,728) | \$ (169,504) | \$ (1,080,525) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization expense | 547,946 | 86,619 | 1,296,988 | 815,472 | 2,747,025 |
| Decrease (increase) in: | | | | | |
| Accounts receivable | (75,192) | 4,142 | 574,671 | 252,679 | 756,300 |
| Due from other funds | 8 | | | | 8 |
| Due from component units | | | (1,411) | | (1,411) |
| Inventories | 7,762 | 8,530 | | | 16,292 |
| Increase (decrease) in: | | | | | |
| Accounts payable | 18,390 | (9,383) | 4,162 | 206,205 | 219,374 |
| Accrued leave | (8,267) | (4,668) | (32,557) | (13,223) | (58,715) |
| Due to other funds | (15,206) | 176,812 | (3,821) | | 157,785 |
| Other liabilities | 350,305 | (64) | 7,371 | 9,219 | 366,831 |
| Unearned revenue | (623,561) | | | | (623,561) |
| Net pension liability reported as operating activity | (394,534) | (88,274) | (641,573) | (542,049) | (1,666,430) |
| Deferred Outflows & Inflows related to pensions reported as operating activity | 261,270 | 49,917 | 480,613 | 302,170 | 1,093,970 |
| Long-term accrued leave reported as operating activity | 5,943 | 4,730 | 21,506 | 12,777 | 44,956 |
| Total adjustments | 74,864 | 228,361 | 1,705,949 | 1,043,250 | 3,052,424 |
| Net cash provided by (used in) operating activities | \$ 531,987 | \$ (55) | \$ 566,221 | \$ 873,746 | \$ 1,971,899 |

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CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2015

| | Equipment Replacement | Fleet Services | Risk Management | Information Technology | Totals |
|--|--------------------------|---------------------|----------------------|---------------------------|----------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 4,236,798 | \$ 968,565 | \$ 20,607,346 | \$ 442,601 | \$ 26,255,310 |
| Cash with fiscal agent | | | 230,868 | | 230,868 |
| Accounts receivable | 662 | 9,998 | 3,228 | 23,155 | 37,043 |
| Due from other funds | | 65,430 | | | 65,430 |
| Due from component units | | 183,158 | | | 183,158 |
| Prepaid items | | | 55,954 | 99,812 | 155,766 |
| Inventories | | 130,037 | | | 130,037 |
| Total current assets | <u>4,237,460</u> | <u>1,357,188</u> | <u>20,897,396</u> | <u>565,568</u> | <u>27,057,612</u> |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Improvements other than buildings | | 265,514 | | | 265,514 |
| Computer software | 14,400 | 171,225 | | | 185,625 |
| Equipment | 37,697,822 | 783,685 | 34,072 | 1,517,247 | 40,032,826 |
| Less accumulated depreciation | (19,938,261) | (829,320) | (32,326) | (855,103) | (21,655,010) |
| Total noncurrent assets (net capital assets) | <u>17,773,961</u> | <u>391,104</u> | <u>1,746</u> | <u>662,144</u> | <u>18,828,955</u> |
| Total assets | <u>\$ 22,011,421</u> | <u>\$ 1,748,292</u> | <u>\$ 20,899,142</u> | <u>\$ 1,227,712</u> | <u>\$ 45,886,567</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Related to pensions | - | 200,308 | 47,099 | 31,063 | 278,470 |
| Total deferred outflows of resources | <u>-</u> | <u>200,308</u> | <u>47,099</u> | <u>31,063</u> | <u>278,470</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 162,893 | \$ 692,868 | \$ 155,391 | \$ 116,931 | \$ 1,128,083 |
| Accrued leave | | 42,576 | 10,327 | 8,465 | 61,368 |
| Due to other funds | | | 1,926 | | 1,926 |
| Current portion of long-term debt | 853,468 | 31,045 | 8,891,525 | | 9,776,038 |
| Other liabilities | | 11,945 | 2,494 | 1,497 | 15,936 |
| Total current liabilities | <u>1,016,361</u> | <u>778,434</u> | <u>9,061,663</u> | <u>126,893</u> | <u>10,983,351</u> |
| Noncurrent liabilities: | | | | | |
| Claims payable | | | 1,776,678 | | 1,776,678 |
| Accrued leave | | 74,097 | 18,908 | 5,262 | 98,267 |
| Obligations under capital leases | 2,719,307 | | | | 2,719,307 |
| Net pension liability | | 1,579,471 | 371,386 | 244,938 | 2,195,795 |
| Other post employment benefits obligation | | | 2,411,934 | | 2,411,934 |
| Total noncurrent liabilities | <u>2,719,307</u> | <u>1,653,568</u> | <u>4,578,906</u> | <u>250,200</u> | <u>9,201,981</u> |
| Total liabilities | <u>3,735,668</u> | <u>2,432,002</u> | <u>13,640,569</u> | <u>377,093</u> | <u>20,185,332</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Related to pensions | - | 315,922 | 74,284 | 48,992 | 439,198 |
| Total deferred inflows of resources | <u>-</u> | <u>315,922</u> | <u>74,284</u> | <u>48,992</u> | <u>439,198</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 14,201,186 | 360,059 | 1,747 | 662,144 | 15,225,136 |
| Unrestricted | 4,074,567 | (1,159,383) | 7,229,641 | 170,546 | 10,315,371 |
| Total net position(deficit) | <u>\$ 18,275,753</u> | <u>\$ (799,324)</u> | <u>\$ 7,231,388</u> | <u>\$ 832,690</u> | <u>\$ 25,540,507</u> |

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CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

| | Equipment Replacement | Fleet Services | Risk Management | Information Technology | Totals |
|--|--------------------------|---------------------|---------------------|---------------------------|----------------------|
| Operating revenues: | | | | | |
| Charges for services | \$ 1,812,611 | \$ 8,211,350 | \$ 8,711,003 | \$ 1,967,464 | \$ 20,702,428 |
| Other | | 1,749 | | | 1,749 |
| Total operating revenues | <u>1,812,611</u> | <u>8,213,099</u> | <u>8,711,003</u> | <u>1,967,464</u> | <u>20,704,177</u> |
| Operating expenses: | | | | | |
| Personal services | | 1,281,354 | 270,401 | 173,094 | 1,724,849 |
| Fringe benefits | | 374,375 | 74,620 | 42,879 | 491,874 |
| Cost of goods sold | | 6,171,062 | | | 6,171,062 |
| Utilities | | 50,633 | | | 50,633 |
| Insurance | | 41,517 | 2,587,047 | 550 | 2,629,114 |
| Operating supplies | 1,294 | 180,147 | 1,755 | 22,517 | 205,713 |
| Equipment rental | 190,950 | 34,263 | 26,000 | | 251,213 |
| Equipment and building repairs | | 148,106 | 3,980 | 370,197 | 522,283 |
| Telephone and postage | | 16,347 | 6,392 | 1,036,670 | 1,059,409 |
| General expense | | 33,424 | 108,340 | 39,269 | 181,033 |
| Claims | | | 14,198,083 | | 14,198,083 |
| Contractual services | | 249,652 | 556,834 | 379,154 | 1,185,640 |
| Depreciation and amortization | 1,905,418 | 85,766 | 1,962 | 104,481 | 2,097,627 |
| Total operating expenses | <u>2,097,662</u> | <u>8,666,646</u> | <u>17,835,414</u> | <u>2,168,811</u> | <u>30,768,533</u> |
| Operating income (loss) | <u>(285,051)</u> | <u>(453,547)</u> | <u>(9,124,411)</u> | <u>(201,347)</u> | <u>(10,064,356)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Interest income | 6,200 | | 24,518 | 436 | 31,154 |
| Interest and fiscal charges | (100,984) | (1,901) | | | (102,885) |
| Other | 21,354 | 11,325 | | | 32,679 |
| Gain(loss) on disposal of capital assets | 380,262 | | | | 380,262 |
| Total nonoperating revenues (expenses) | <u>306,832</u> | <u>9,424</u> | <u>24,518</u> | <u>436</u> | <u>341,210</u> |
| Income (loss) before transfers and capital contributions | <u>21,781</u> | <u>(444,123)</u> | <u>(9,099,893)</u> | <u>(200,911)</u> | <u>(9,723,146)</u> |
| Change in net position | <u>21,781</u> | <u>(444,123)</u> | <u>(9,099,893)</u> | <u>(200,911)</u> | <u>(9,723,146)</u> |
| Net position(deficit), beginning of year, as restated | <u>18,253,972</u> | <u>(355,201)</u> | <u>16,331,281</u> | <u>1,033,601</u> | <u>35,263,653</u> |
| Net position(deficit), end of year | <u>\$ 18,275,753</u> | <u>\$ (799,324)</u> | <u>\$ 7,231,388</u> | <u>\$ 832,690</u> | <u>\$ 25,540,507</u> |

CITY OF HAMPTON, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

| | Equipment Replacement | Fleet Services | Risk Management | Information Technology | Totals |
|--|--------------------------|-------------------|----------------------|---------------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash received from customers | \$ 1,833,965 | \$ 8,218,994 | \$ 8,726,956 | \$ 1,952,846 | \$ 20,732,761 |
| Cash payments to suppliers for goods and services | (192,244) | (6,618,824) | (8,027,158) | (1,878,998) | (16,717,224) |
| Cash payments to employees for services | | (1,657,010) | (264,640) | (170,420) | (2,092,070) |
| Net cash provided by (used in) operating activities | <u>1,641,721</u> | <u>(56,840)</u> | <u>435,158</u> | <u>(96,572)</u> | <u>1,923,467</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition and construction of capital assets | (4,010,620) | (19,990) | | (14,880) | (4,045,490) |
| Principal paid on revenue bond maturities and long-term debt | (923,059) | (60,702) | | | (983,761) |
| Interest paid on revenue bonds and long-term debt | (100,984) | (1,901) | | | (102,885) |
| Sale of capital assets | 415,524 | | | | 415,524 |
| Net cash provided by (used in) capital and related financing activities | <u>(4,619,139)</u> | <u>(82,593)</u> | | <u>(14,880)</u> | <u>(4,716,612)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest and dividends on investments | <u>6,086</u> | | <u>22,746</u> | <u>437</u> | <u>29,269</u> |
| Net cash provided by (used in) investing activities | <u>6,086</u> | | <u>22,746</u> | <u>437</u> | <u>29,269</u> |
| Net increase (decrease) in cash and cash equivalents (including restricted amounts) | (2,971,332) | (139,433) | 457,904 | (111,015) | (2,763,876) |
| Cash and cash equivalents, July 1 | <u>7,208,130</u> | <u>1,107,998</u> | <u>20,380,310</u> | <u>553,616</u> | <u>29,250,054</u> |
| Cash and cash equivalents, June 30 | <u>\$ 4,236,798</u> | <u>\$ 968,565</u> | <u>\$ 20,838,214</u> | <u>\$ 442,601</u> | <u>\$ 26,486,178</u> |

continued

| | Equipment Replacement | Fleet Services | Risk Management | Information Technology | Totals |
|--|--------------------------|----------------|-----------------|---------------------------|-----------------|
| Operating income (loss) | \$ (285,051) | \$ (453,547) | \$ (9,124,411) | \$ (201,347) | \$ (10,064,356) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation and amortization expense | 1,905,418 | 85,766 | 1,962 | 104,481 | 2,097,627 |
| Decrease (increase) in: | | | | | |
| Accounts receivable | (114) | 2,897 | (1,772) | (14,618) | (13,607) |
| Due from other funds | 2 | (65,430) | 15,953 | | (49,475) |
| Due from component units | | 57,104 | | | 57,104 |
| Inventories | | 1,765 | | | 1,765 |
| Prepaid expenses | | | 65,623 | 56,699 | 122,322 |
| Increase (decrease) in: | | | | | |
| Accounts payable | (175,613) | 368,784 | 97,577 | (33,729) | 257,019 |
| Accrued leave | | (11,351) | 2,118 | 3,249 | (5,984) |
| Due to other funds | | | 1,926 | (773) | 1,153 |
| Other liabilities | | 5,659 | 1,439 | 801 | 7,899 |
| Nonoperating revenues reported as operating activity | 21,352 | 11,325 | | | 32,677 |
| Current portion of long-term accrued claims reported as operating activity | | | 7,607,952 | | 7,607,952 |
| Accounts payable reported as nonoperating activities | 175,613 | | | | 175,613 |
| Accounts receivable reported as nonoperating activities | 114 | | 1,772 | | 1,886 |
| Long-term accrued leave reported as operating activity | | 4,410 | 2,204 | (1,376) | 5,238 |
| Long-term accrued insurance claims reported as operating activity | | | 906,446 | | 906,446 |
| Other post employment benefits obligation reported as operating activity | | | 871,469 | | 871,469 |
| Net pension liability reported as operating activity | | (383,056) | (90,069) | (59,403) | (532,528) |
| Deferred Outflows & Inflows related to pensions reported as operating activity | | 318,834 | 74,969 | 49,444 | 443,247 |
| Total adjustments | 1,926,772 | 396,707 | 9,559,569 | 104,775 | 11,987,823 |
| Net cash provided by (used in) operating activities | \$ 1,641,721 | \$ (56,840) | \$ 435,158 | \$ (96,572) | \$ 1,923,467 |

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CITY OF HAMPTON, VIRGINIA
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2015

| | <u>Balance,</u> <u>July 1, 2014</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance,</u> <u>June 30, 2015</u> |
|--|--|---------------------|---------------------|---|
| <u>Special Welfare Fund</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 27,062 | \$ 74,612 | \$ 78,357 | \$ 23,317 |
| Accounts receivable | 105 | | 105 | |
| | <u>\$ 27,167</u> | <u>\$ 74,612</u> | <u>\$ 78,462</u> | <u>\$ 23,317</u> |
| LIABILITIES | | | | |
| Deposits | \$ 19,532 | \$ 16,301 | \$ 19,532 | \$ 16,301 |
| Accounts payable | 7,635 | 125,150 | 125,769 | 7,016 |
| | <u>\$ 27,167</u> | <u>\$ 141,451</u> | <u>\$ 145,301</u> | <u>\$ 23,317</u> |
| <u>Agency Fund</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,027,102 | \$ 525,164 | \$ 886,132 | \$ 666,134 |
| Accounts | | 78,789 | 69,600 | 9,189 |
| | <u>\$ 1,027,102</u> | <u>\$ 603,953</u> | <u>\$ 955,732</u> | <u>\$ 675,323</u> |
| LIABILITIES | | | | |
| Deposits | \$ 717,615 | \$ 865,970 | \$ 954,892 | \$ 628,693 |
| Accounts payable | 309,487 | 1,226,695 | 1,489,552 | 46,630 |
| | <u>\$ 1,027,102</u> | <u>\$ 2,092,665</u> | <u>\$ 2,444,444</u> | <u>\$ 675,323</u> |
| <u>Total - All Agency Funds</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,054,163 | \$ 599,776 | \$ 964,489 | \$ 689,450 |
| Accounts receivable | 105 | 78,789 | 69,705 | 9,189 |
| | <u>\$ 1,054,268</u> | <u>\$ 678,565</u> | <u>\$ 1,034,194</u> | <u>\$ 698,639</u> |
| LIABILITIES | | | | |
| Deposits | \$ 737,146 | \$ 882,271 | \$ 974,424 | \$ 644,993 |
| Accounts payable and accrued liabilities | 317,122 | 1,351,845 | 1,615,321 | 53,646 |
| | <u>\$ 1,054,268</u> | <u>\$ 2,234,116</u> | <u>\$ 2,589,745</u> | <u>\$ 698,639</u> |

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CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING BALANCE SHEET
June 30, 2015

| | <u>Operating</u> | <u>Food Services</u> | <u>Reimbursable Projects</u> | <u>Total</u> |
|--|----------------------|--------------------------|----------------------------------|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 7,098,274 | \$ 5,532,813 | \$ 419,442 | \$ 13,050,529 |
| Cash with fiscal agent | 10,296,535 | | | 10,296,535 |
| Investments | 19,968 | | | 19,968 |
| Accounts receivable | 176,239 | 32,892 | 112,210 | 321,341 |
| Due from primary government | 7,187 | | | 7,187 |
| Due from other funds | 1,520,032 | 141 | 55 | 1,520,228 |
| Due from other governments | 4,155,332 | 341,638 | 2,608,838 | 7,105,808 |
| Inventories | | 138,798 | | 138,798 |
| Total assets | <u>\$ 23,273,567</u> | <u>\$ 6,046,282</u> | <u>\$ 3,140,545</u> | <u>\$ 32,460,394</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable and other liabilities | \$ 18,518,866 | \$ 653,461 | \$ 887,641 | \$ 20,059,968 |
| Due to other funds | 55 | 118 | 1,520,055 | 1,520,228 |
| Due to primary government | 204,733 | | | 204,733 |
| Unearned revenue | | | 27,985 | 27,985 |
| Total liabilities | <u>18,723,654</u> | <u>653,579</u> | <u>2,435,681</u> | <u>21,812,914</u> |
| Fund balances | | | | |
| Nonspendable | | 138,798 | | 138,798 |
| Restricted | | 5,253,905 | 704,864 | 5,958,769 |
| Assigned | 4,549,913 | | | 4,549,913 |
| Total fund balances | <u>4,549,913</u> | <u>5,392,703</u> | <u>704,864</u> | <u>10,647,480</u> |
| Total liabilities and fund balances | <u>\$ 23,273,567</u> | <u>\$ 6,046,282</u> | <u>\$ 3,140,545</u> | <u>\$ 32,460,394</u> |

**Reconciliation of the School Board's Combining Balance Sheet to the Combining Statement of Net Position
(Exhibit A-11)**

| | |
|---|-------------------------|
| Total fund balance | \$ 10,647,480 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Note 6) | 96,769,710 |
| Accumulated depreciation on capital assets (Note 6) | (84,307,946) |
| Net other post employment benefit liability (Note 8) | (10,149,729) |
| Capital Lease (Note 8) | (212,795) |
| Long-term liability for compensated absences (Note 8) | (6,115,641) |
| Net pension liability (Note 8) | (204,090,804) |
| Deferred outflows of resources related to pensions (Note 9) | 20,086,429 |
| Deferred inflows of resources related to pensions (Note 9) | (28,579,714) |
| Net position discretely presented component unit School Board | <u>\$ (205,953,010)</u> |

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2015

| | <u>Operating</u> | <u>Food Services</u> | <u>Reimbursable Projects</u> | <u>Total</u> |
|---|---------------------|----------------------|----------------------------------|----------------------|
| REVENUES | | | | |
| State funds | \$ 121,007,291 | \$ 196,414 | \$ 1,139,801 | \$ 122,343,506 |
| Federal funds (includes pass through) | 764,734 | 7,524,608 | 14,389,460 | 22,678,802 |
| Other receipts | 1,576,740 | 2,372,348 | 1,305,498 | 5,254,586 |
| Payments from City | 71,112,223 | | | 71,112,223 |
| Net increase(decrease) in fair value of investments | (210) | | | (210) |
| Total revenues | <u>194,460,778</u> | <u>10,093,370</u> | <u>16,834,759</u> | <u>221,388,907</u> |
| EXPENDITURES | | | | |
| Education | <u>196,725,529</u> | <u>10,009,032</u> | <u>17,188,002</u> | <u>223,922,563</u> |
| Excess of revenues over (under) expenditures | <u>(2,264,751)</u> | <u>84,338</u> | <u>(353,243)</u> | <u>(2,533,656)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from: | | | | |
| Food Services Fund | 500,000 | | | 500,000 |
| School Operating Fund | | | 434,102 | 434,102 |
| Transfer to: | | | | |
| School Operating Fund | | (500,000) | | (500,000) |
| Reimbursable Projects Fund | (434,102) | | | (434,102) |
| Total other sources (uses) | <u>65,898</u> | <u>(500,000)</u> | <u>434,102</u> | |
| Excess of revenues and other sources over (under) expenditures and other uses | (2,198,853) | (415,662) | 80,859 | (2,533,656) |
| Fund balance - July 1 | <u>6,748,766</u> | <u>5,808,365</u> | <u>624,005</u> | <u>13,181,136</u> |
| Fund balance - June 30 | <u>\$ 4,549,913</u> | <u>\$ 5,392,703</u> | <u>\$ 704,864</u> | <u>\$ 10,647,480</u> |

Reconciliation of the School Board's combining Statement of Revenues, Expenditures and Changes in Fund Balances to the Combining Statement of Activities (Exhibit A-12)

| | |
|--|-------------------|
| Net change in fund balances - total school funds | \$ (2,533,656) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. (Note 6) | |
| Capital acquisitions | 1,895,353 |
| Depreciation expense | (2,383,603) |
| In the statement of activities, the loss on disposal of capital assets is reported. However, in the governmental funds, only the proceeds from sale increase financial resources. The change in net position differs from the change in fund balance by the net book value of the capital assets abandoned. (Note 6) | (11,438) |
| Decrease in capital leases are not reported as expenditures in the governmental funds. (Note 8) | 120,158 |
| Increase in other post employment benefit liability reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8) | (509,086) |
| Decrease in compensated absences reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds. (Note 8) | 659,341 |
| Decrease in net pension liability reported in Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds (Note 8) | 25,664,059 |
| Increase in deferred inflows of resources related to pensions reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds (Note 9) | (28,579,714) |
| Increase in deferred outflows of resources related to pensions reported in the Statement of Activities does not provide current financial resources and therefore is not reported in the governmental funds (Note 9) | 6,354,261 |
| Change in net position of governmental activities | <u>\$ 675,675</u> |

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

| | School Board - School Operating Fund | | | |
|--|--------------------------------------|--------------------|---------------------|-------------------------------|
| | Budgeted Amounts | | | Variance with Final Budget |
| | Original | Final | Actual | Over (Under) |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| State Funds | \$ 122,013,870 | \$ 122,013,870 | \$ 121,007,292 | \$ (1,006,578) |
| Federal funds (includes pass through) | 1,323,000 | 1,323,000 | 764,733 | (558,267) |
| Miscellaneous | 1,069,000 | 1,069,000 | 1,205,698 | 136,698 |
| Payments from City | 71,112,223 | 71,112,223 | 71,112,223 | |
| Total revenues | <u>195,518,093</u> | <u>195,518,093</u> | <u>194,089,946</u> | <u>(1,428,147)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | <u>195,296,991</u> | <u>198,051,145</u> | <u>196,205,298</u> | <u>(1,845,847)</u> |
| Total expenditures | <u>195,296,991</u> | <u>198,051,145</u> | <u>196,205,298</u> | <u>(1,845,847)</u> |
| Excess (deficiency) of revenues over (under) expenses | <u>221,102</u> | <u>(2,533,052)</u> | <u>(2,115,352)</u> | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 500,000 | 500,000 | 500,000 | |
| Transfers out | <u>(721,102)</u> | <u>(721,102)</u> | <u>(721,102)</u> | |
| Total other financing sources (uses) | <u>(221,102)</u> | <u>(221,102)</u> | <u>(221,102)</u> | |
| Excess of revenues and other sources over (under) expenditures and other uses | | <u>(2,754,154)</u> | <u>(2,336,454)</u> | |
| Appropriations from fund balance | | 5,811,347 | | |
| Appropriations - encumbrances | | <u>(3,057,193)</u> | | |
| Fund balance - July 1 | | | <u>5,811,347</u> | |
| Fund balance - June 30 | <u>\$</u> | <u>\$</u> | <u>\$ 3,474,893</u> | |

This statement excludes the Special Revenue Fund and Student Activities Fund which are included in the School Operating Fund for financial statement reporting purposes.

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CITY OF HAMPTON, VIRGINIA
SCHEDULE OF THE TREASURER'S ACCOUNTABILITY
June 30, 2015

Assets held by the Treasurer:

| | |
|---|-----------------------|
| Cash on hand | \$ 7,050 |
| Cash in banks: | |
| Old Point National Bank | 9,940,717 |
| Investments: | |
| Certificates of deposit | 26,747,738 |
| Commercial paper | 9,982,937 |
| Repurchase agreement | 1,600,000 |
| Investment in mutual and money market funds | 132,458 |
| State Local Government Investment Pool | 120,000,000 |
| U.S. Government securities | 14,010,183 |
| Timing differences | (151) |
| Total assets | <u>\$ 182,420,932</u> |

Liabilities of the Treasurer:

| | |
|--|-----------------------|
| Balance of City funds | <u>\$ 182,420,932</u> |
| Cash and cash equivalents | |
| Primary Government per Exhibit A-1 | \$ 149,734,271 |
| School Board per Exhibit A-11 | 13,050,529 |
| Economic Development Authority per Exhibit A-11 | 4,472,072 |
| General Fund Investments per Exhibit A-3 | 14,000,458 |
| Restricted cash and investments - Enterprise Funds per Exhibit A-6 | |
| Cash and cash equivalents | 3,745,917 |
| Investments | 14,951,359 |
| Cash and cash equivalents - Fiduciary Funds per Exhibit A-9 | 732,568 |
| Investments - Component Unit - EDA per Exhibit A-11 | 278 |
| Adjust investments in CAFR from fair value to cost | 9,725 |
| Timing differences | 814 |
| Less: | |
| Petty cash | \$ (27,292) |
| Cash and investments held by trustees | <u>(18,249,767)</u> |
| | <u>(18,277,059)</u> |
| Balance of City funds | <u>\$ 182,420,932</u> |

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------------|
| Cash received from customers | \$ 1,366,068 |
| Cash payments to suppliers for goods and services | (2,194,525) |
| Cash payments to employees for services | (4,750) |
| Other receipts (payments) | <u>100</u> |
| Net cash provided by (used in) operating activities | <u>(833,107)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--|----------------|
| Payment from primary government | <u>964,458</u> |
| Net cash provided by (used in) noncapital financing activities | <u>964,458</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|------------------|
| Principal paid on revenue bond maturities and long-term debt | (645,586) |
| Interest paid on revenue bonds and long-term debt | <u>(344,473)</u> |
| Net cash provided by (used in) capital and related financing activities | <u>(990,059)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|------------------|
| Interest and dividends on investments | 4,603 |
| Proceeds from collection of loans | 158,146 |
| Proceeds from collection of lease receivable | 605,120 |
| Interest received on loans | 14,787 |
| Interest received on lease receivable | 384,996 |
| Disbursements for loans | <u>(40,307)</u> |
| Net cash provided by (used in) investing activities | <u>1,127,345</u> |

Net increase (decrease) in cash and cash equivalents
(including restricted amounts)

268,637

Cash and cash equivalents (including restricted), July 1

4,203,435

Cash and cash equivalents (including restricted), June 30

\$ 4,472,072

| | |
|-------------------------|-----------------------|
| Operating income (loss) | <u>\$ (2,560,083)</u> |
|-------------------------|-----------------------|

Adjustments to reconcile operating income (loss) to net cash provided by
(used in) operating activities:

| | |
|--|------------------|
| Depreciation and amortization expense | 102,468 |
| Cost of land sold | 794,484 |
| Decrease (increase) in: | |
| Notes receivable | 417,320 |
| Due from primary government | 455,895 |
| Increase (decrease) in: | |
| Accounts payable | 65,414 |
| Due to primary government | 200,015 |
| Other liabilities | (20,027) |
| Deferred revenue | (190,781) |
| Notes receivable reported as nonoperating activities | (117,839) |
| Other liabilities reported as nonoperating revenues | <u>20,027</u> |
| Total adjustments | <u>1,726,976</u> |

| | |
|---|----------------------------|
| Net cash provided by (used in) operating activities | <u><u>\$ (833,107)</u></u> |
|---|----------------------------|

Non-cash transactions affecting investing capital and related financing
activities:

| | |
|--|--------------------------|
| Contribution of Land | 711,000 |
| Net increase (decrease) in fair value of investments | <u>\$ (167)</u> |
| Total non-cash transactions | <u><u>\$ 710,833</u></u> |

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
For the Year Ended June 30, 2015

| | Appropriations | | | Expenditures | Variance with Final Budget Over (Under) |
|---|--------------------------------|------------------------|--------------------------------|-----------------------|--|
| | Budget July 1, 2014 | Net Changes | Final June 30, 2015 | | |
| EXPENDITURES | | | | | |
| Administration/attendance and health | \$ 10,155,875 | \$ (339,653) | \$ 9,816,222 | \$ 9,705,331 | \$ (110,891) |
| Instructional | 146,469,229 | (1,496,024) | 144,973,205 | 143,892,853 | (1,080,352) |
| Public transportation service | 9,339,937 | 148,572 | 9,488,509 | 9,400,862 | (87,647) |
| Operation and maintenance of school plant | 18,000,777 | 770,204 | 18,770,981 | 18,660,530 | (110,451) |
| Technology | 11,331,173 | 3,671,055 | 15,002,228 | 14,545,722 | (456,506) |
| Total expenditures | 195,296,991 | 2,754,154 | 198,051,145 | 196,205,298 | (1,845,847) |
| OPERATING TRANSFER OUT | | | | | |
| To Student Activities Fund | 287,000 | | 287,000 | 287,000 | |
| To Reimbursable Projects Fund | 434,102 | | 434,102 | 434,102 | |
| Total transfers out | 721,102 | | 721,102 | 721,102 | |
| Total expenditures and transfers out | <u>\$ 196,018,093</u> | <u>\$ 2,754,154</u> | <u>\$ 198,772,247</u> | <u>\$ 196,926,400</u> | <u>\$ (1,845,847)</u> |

This statement excludes the Special Revenue Fund and Student Activities Fund which are included in the School Operating Fund for financial statement reporting purposes.

CITY OF HAMPTON, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHOOL OPERATING FUND
SCHEDULE OF REVENUES AND OTHER CREDITS - BUDGET AND ACTUAL
For the Year Ended June 30, 2015

| | Final Budgeted Revenues | Actual Revenues | Variance with Final Budget Over (Under) |
|--------------------------------------|--|----------------------------|--|
| State funds: | | | |
| Basic appropriation | \$ 59,663,011 | \$ 59,221,440 | \$ (441,571) |
| At risk payment | 2,871,452 | 2,854,462 | (16,990) |
| Remedial education | 3,005,484 | 2,987,613 | (17,871) |
| K-3 Primary Class Size | 3,309,699 | 3,303,753 | (5,946) |
| Virginia Retirement System | 7,891,176 | 7,844,255 | (46,921) |
| Social security benefits | 3,874,368 | 3,851,331 | (23,037) |
| Group life insurance | 242,148 | 240,708 | (1,440) |
| Special education | 9,818,404 | 9,702,286 | (116,118) |
| Textbook payments | 1,370,558 | 1,362,408 | (8,150) |
| Remedial summer school | 775,359 | 886,813 | 111,454 |
| At risk 4 year old | 2,614,515 | 2,615,198 | 683 |
| Gifted | 669,468 | 665,487 | (3,981) |
| Foster home | 126,000 | 91,120 | (34,880) |
| Vocational education | 1,244,764 | 1,177,278 | (67,486) |
| VPSA education tech grant | 1,202,400 | 1,139,200 | (63,200) |
| Virginia blind | 6,525 | | (6,525) |
| ESL | 258,636 | 247,545 | (11,091) |
| Early Reading Intervention | 350,017 | 336,468 | (13,549) |
| SOL Algebra Readiness | 342,492 | 342,718 | 226 |
| Sales tax | 21,060,654 | 21,059,634 | (1,020) |
| Medicaid Reimbursement | 1,100,000 | 860,835 | (239,165) |
| Early reading specialists initiative | 216,740 | 216,740 | |
| Total state funds | <u>122,013,870</u> | <u>121,007,292</u> | <u>(1,006,578)</u> |
| Federal Funds: | | | |
| Public law 874 | 800,000 | 307,071 | (492,929) |
| Impact Aid Special Education | 200,000 | 119,288 | (80,712) |
| U.S. Army- ROTC | 96,000 | 136,876 | 40,876 |
| U.S. Air Force- ROTC | 67,000 | 55,339 | (11,661) |
| U.S. Navy - ROTC | 83,000 | 74,806 | (8,194) |
| U.S. Marine Corps - ROTC | 77,000 | 71,353 | (5,647) |
| Total federal funds | <u>1,323,000</u> | <u>764,733</u> | <u>(558,267)</u> |
| Other funds: | | | |
| Fees from students | 21,000 | 20,681 | (319) |
| Tuition from regular day students | 5,000 | 4,908 | (92) |
| Miscellaneous revenue | 31,000 | 30,601 | (399) |
| Medicaid reimbursement | 109,000 | 109,189 | 189 |
| Interest | 2,000 | 2,808 | 808 |
| Other | 901,000 | 1,037,511 | 136,511 |
| Total other funds | <u>1,069,000</u> | <u>1,205,698</u> | <u>136,698</u> |
| Total revenues | <u>124,405,870</u> | <u>122,977,723</u> | <u>(1,428,147)</u> |
| Other credits: | | | |
| Payment from the City | 71,112,223 | 71,112,223 | |
| Transfer from Food Services Fund | 500,000 | 500,000 | |
| Total other credits | <u>71,612,223</u> | <u>71,612,223</u> | |
| Total revenues and other credits | <u>\$ 196,018,093</u> | <u>\$ 194,589,946</u> | <u>\$ (1,428,147)</u> |

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

| Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number | Federal Catalogue Number | Expenditures |
|--|---|---------------------|
| DEPARTMENT OF AGRICULTURE | | |
| FOOD STAMP CLUSTER: | | |
| Pass-through payments: | | |
| Department of Social Services: | | |
| State Administrative Matching Grants for Food Stamp Program | 10.561 | \$ 1,530,936 |
| Total Food Stamp Cluster | | 1,530,936 |
| NUTRITION CLUSTER: | | |
| Direct payments: | | |
| Summer Food Service Program for Children | 10.559 | 178,918 |
| Pass-through payments: | | |
| Department of Education: | | |
| National School Breakfast Program | 10.553 | 1,532,494 |
| National School Lunch Program | 10.555 | 5,400,574 |
| Department of Agriculture and Consumer Services: | | |
| Donated Commodities | 10.556 | 591,540 |
| Total Nutrition Cluster | | 7,703,526 |
| Department of Agriculture Forest Service | | |
| Total Department of Agriculture | | 9,234,462 |
| DEPARTMENT OF DEFENSE: | | |
| Direct Payments: | | |
| U.S. Army - ROTC | 12.000 | 136,876 |
| U.S. Air Force - ROTC | 12.000 | 55,339 |
| U.S. Navy - ROTC | 12.000 | 74,806 |
| U.S. Marine Corps - ROTC | 12.000 | 71,353 |
| Total Department of Defense | | 338,374 |
| DEPARTMENT OF EDUCATION: | | |
| Direct payments: | | |
| Impact Aid | 84.041 | 426,360 |
| Pass-through payments: | | |
| Department of Behavioral Health and Developmental Services: | | |
| Early Intervention Services for Infants and Toddlers with | | |
| Disabilities and their Families (00-01-15) | 84.181 | 359,842 |
| Department of Education: | | |
| Gear Up | 84.334 A | 63,107 |
| Title I, Part A Cluster: | | |
| Educationally Deprived Children-LEA (112-00-1) (112-01-1) | 84.010 A | 6,540,809 |
| School Improvement | 84.337 A | 1,020,608 |
| Title II: | | |
| Title II Training and Recruiting | 84.367 A | 1,708,757 |
| Title III LEP, Immigrant | 84.365 | 59,287 |
| Title VI: | | |
| Title VI 21st Century | 84.287 C | 358,065 |
| Title VIB | 84.027 A | 4,212,637 |
| Title VIB Preschool | 84.173 A | 19,915 |
| Carl Perkins | 84.048 | 406,274 |

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2015

| Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number | Federal Catalogue Number | <u>Expenditures</u> |
|---|--------------------------------|---------------------|
| Total Department of Education | | <u>15,175,661</u> |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | |
| MEDICAID CLUSTER: | | |
| Pass-through payments: | | |
| Department of Social Services: | | |
| Medical Assistance Program (Medicaid, Title XIX) | 93.778 | <u>1,574,630</u> |
| Total Medicaid Cluster | | <u>1,574,630</u> |

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2015

| Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number | Federal Catalogue Number | Expenditures |
|--|---|---------------------|
| OTHER: | | |
| Pass-through payments: | | |
| Department of Social Services: | | |
| Promoting Safe and Stable Families | 93.556 | 60,432 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 1,974,158 |
| Healthy Families Partnership - (TANF) | 93.558 | 387,290 |
| Refugee & Entrant Assistance | 93.566 | 13,872 |
| Low-Income Home Energy Assistance (LIHEAP) | 93.568 | 181,226 |
| Child Care and Developmental Fund Cluster: | | |
| Child Care Development Fund | 93.596 | 240,357 |
| Independent Living Program - Education and Training Vouchers | 93.599 | 2,797 |
| Adoption Incentives | 93.603 | 3,000 |
| Family Support | 93.645 | 11,005 |
| Foster Care - Title IV-E | 93.658 | 651,280 |
| Adoption Assistance | 93.659 | 744,765 |
| Social Services Block Grant (SSBG) | 93.667 | 1,383,994 |
| Independent Living | 93.674 | 13,994 |
| State Children's Insurance Program (CHIP) | 93.767 | 52,134 |
| Total Department of Health and Human Services (Other) | | <u>5,720,304</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE: | | |
| FOSTER GRANDPARENT, SENIOR COMPANION CLUSTER: | | |
| Direct payments: | | |
| Foster Grandparent Program (08SFSVA004) | 94.011 | <u>341,229</u> |
| Total Foster Grandparent, Senior Companion Cluster | | <u>341,229</u> |
| DEPARTMENT OF HOMELAND SECURITY: | | |
| Direct payments: | | |
| LEMPG | | 117,399 |
| Assistance to Firefighters | 97.044 | 84,093 |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | 891,848 |
| FY2013 Port Security Grant Program | 97.056 | 11,458 |
| Pass-through payments: | | |
| Virginia Department of Emergency Management: | | |
| Citizen Corp 2013 | 97.073 | 20,776 |
| Repetitive Flood Claims Grant Program | 97.092 | 45,600 |
| FEMA-VDEM Hazard Mitigation | 97.039 | <u>6,234</u> |
| Total Homeland Security | | <u>1,177,408</u> |

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2015

| Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number | Federal Catalogue Number | | <u>Expenditures</u> |
|--|--|-------|---|
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: CDBG-ENTITLEMENT AND (HUD-ADMINISTERED) SMALL CITIES CLUSTER: Direct Payments: Community Development Block Grant Program, Entitlement Grants: (\$810,919 provided to subrecipient) | 14.218 | | 1,264,106 |
| OTHER Direct payments: Community Development Block Grant Program, Entitlement Grants: Home Program (\$814,377 provided to subrecipient) | 14.239 | | <u>707,346</u> |
| Total CDBG-Entitlement and (HUD-Administered) Small Cities Cluster | | | <u>1,971,452</u> |
| DEPARTMENT OF JUSTICE Direct payments: State Criminal Alien Assistance Program COPS Technology | 16.606 16.710 | - | 12,765 19,811 |
| Department of Criminal Justice Services: Response Effort Victim Witness Residential Substance Abuse Treatment Edward Byrne/Justice Assistance Grant Proceeds of seized assets | 16.588 16.575 16.579 16.738 16.922 | | 63,741 172,017 14,923 33,084 <u>209,219</u> |
| Total Department of Justice | | | <u>525,560</u> |
| DEPARTMENT OF TRANSPORTATION: Pass-through payments: Department of Transportation: Highway Planning and Construction Department of Motor Vehicles: Highway Safety Grant Total Department of Transportation | 20.205 20.600 | | 4,293,041 <u>37,111</u> <u>4,330,152</u> |

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2015

| Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number | <u>Federal Catalogue Number</u> | <u>Expenditures</u> |
|---|---|----------------------|
| NATIONAL AERONAUTICS AND SPACE ADMINISTRATION: | | |
| Direct payments: | | |
| NASA LaRC Visitor Center and Public Education Program (NCC-1-275) | 43.000 | 150,000 |
| NASA Steam Sales | 43.000 | 5,150,248 |
| Education Resource Center and Coop Agreement | 43.000 | <u>338,821</u> |
| Total National Aeronautics and Space Administration | | <u>5,639,069</u> |
| Grand Total All Federally Assisted Programs and Grants | | <u>\$ 46,028,301</u> |

Notes:

(A) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of the City of Hampton, Virginia and Component Unit School Board. The City of Hampton single audit reporting entity is defined in Note 1, Reporting Entity, to the City's basic financial statements.

The Schedule of Expenditures of Federal Awards does not include federal funding of \$228,000 in the General Fund. This amount represents indirect costs from other federally assisted programs administered by the City and is included in the federal revenue.

(B) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
CONVENTION CENTER REVENUE BONDS
June 30, 2015

| Fiscal Year Ending June 30, | Principal | Interest | Total Debt Service |
|--|----------------------|----------------------|-------------------------------|
| 2016 | \$ 2,435,000 | \$ 4,035,929 | \$ 6,470,929 |
| 2017 | 2,555,000 | 3,917,435 | 6,472,435 |
| 2018 | 2,680,000 | 3,791,388 | 6,471,388 |
| 2019 | 2,815,000 | 3,656,104 | 6,471,104 |
| 2020 | 2,960,000 | 3,511,919 | 6,471,919 |
| 2021 | 3,110,000 | 3,360,150 | 6,470,150 |
| 2022 | 3,270,000 | 3,203,088 | 6,473,088 |
| 2023 | 3,430,000 | 3,038,825 | 6,468,825 |
| 2024 | 3,610,000 | 2,861,751 | 6,471,751 |
| 2025 | 3,795,000 | 2,672,822 | 6,467,822 |
| 2026 | 3,990,000 | 2,482,332 | 6,472,332 |
| 2027 | 4,190,000 | 2,282,244 | 6,472,244 |
| 2028 | 4,410,000 | 2,062,394 | 6,472,394 |
| 2029 | 4,640,000 | 1,830,488 | 6,470,488 |
| 2030 | 4,935,000 | 1,585,128 | 6,520,128 |
| 2031 | 5,195,000 | 1,325,547 | 6,520,547 |
| 2032 | 5,470,000 | 1,052,256 | 6,522,256 |
| 2033 | 5,750,000 | 764,744 | 6,514,744 |
| 2034 | 6,045,000 | 471,547 | 6,516,547 |
| 2035 | 6,355,000 | 162,847 | 6,517,847 |
| | <u>\$ 81,640,000</u> | <u>\$ 48,068,938</u> | <u>\$ 129,708,938</u> |

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
ECONOMIC DEVELOPMENT AUTHORITY REVENUE BONDS
June 30, 2015

| Fiscal Year | 2002 | | |
|--------------------|---------------------|---------------------|---------------------|
| Ending | Tax-Exempt | Interest | Total Debt |
| June 30, | Principal | | Service |
| 2016 | \$ 686,603 | \$ 303,456 | \$ 990,059 |
| 2017 | 729,460 | 260,599 | 990,059 |
| 2018 | 776,573 | 213,486 | 990,059 |
| 2019 | 825,913 | 164,146 | 990,059 |
| 2020 | 878,387 | 111,672 | 990,059 |
| 2021 | 933,997 | 56,062 | 990,059 |
| 2022 | 190,959 | 5,924 | 196,883 |
| | <u>\$ 5,021,892</u> | <u>\$ 1,115,345</u> | <u>\$ 6,137,237</u> |

CITY OF HAMPTON, VIRGINIA
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
For the Year Ended June 30, 2015

| Fiscal Year Ending June 30, | Principal | Interest | Total Debt Service |
|--|-----------------------|----------------------|-------------------------------|
| 2016 | \$ 22,710,000 | \$ 11,327,813 | \$ 34,037,813 |
| 2017 | 22,130,000 | 11,118,768 | 33,248,768 |
| 2018 | 22,385,000 | 10,321,620 | 32,706,620 |
| 2019 | 20,375,000 | 9,392,447 | 29,767,447 |
| 2020 | 20,430,000 | 8,635,752 | 29,065,752 |
| 2021 | 17,765,000 | 7,723,853 | 25,488,853 |
| 2022 | 18,410,000 | 6,719,893 | 25,129,893 |
| 2023 | 17,015,000 | 5,857,353 | 22,872,353 |
| 2024 | 16,415,000 | 5,003,533 | 21,418,533 |
| 2025 | 17,135,000 | 4,193,833 | 21,328,833 |
| 2026 | 17,895,000 | 3,346,753 | 21,241,753 |
| 2027 | 13,885,000 | 2,458,931 | 16,343,931 |
| 2028 | 14,330,000 | 1,634,964 | 15,964,964 |
| 2029 | 5,320,000 | 1,175,261 | 6,495,261 |
| 2030 | 5,450,000 | 955,780 | 6,405,780 |
| 2031 | 4,800,000 | 754,675 | 5,554,675 |
| 2032 | 4,920,000 | 588,113 | 5,508,113 |
| 2033 | 5,050,000 | 410,863 | 5,460,863 |
| 2034 | 3,635,000 | 224,100 | 3,859,100 |
| 2035 | 3,785,000 | 75,700 | 3,860,700 |
| | <u>\$ 273,840,000</u> | <u>\$ 91,920,005</u> | <u>\$ 365,760,005</u> |

CITY OF HAMPTON, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2015

Assessed value:

| | | |
|---|-------------------|--------------------------|
| Real estate | \$ 10,092,713,275 | |
| Public service corporations - real estate | 30,562,423 | |
| Newport News Waterworks | <u>59,118,600</u> | <u>\$ 10,182,394,298</u> |
| Debt Limit at 10% of assessed value | | <u>1,018,239,430</u> |
| General obligation bonded debt: | | |
| General obligations bonds | 270,229,570 | |
| General obligation bonds- Steam Plant | <u>3,610,430</u> | |
| Total long-term debt | | <u>273,840,000</u> |
| Legal debt margin | | <u>\$ 744,399,430</u> |

Note:

Virginia state statute limits bonds issuing authority of Virginia cities to 10% of the assessed real estate value.

The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase contracts, compensated absences, claims and judgements, net pension obligation, net OPEB obligation and net pension liability totaling \$202,691,733 at June 30, 2015.

There are no overlapping or underlying tax jurisdictions.

CITY OF HAMPTON, VIRGINIA
Assessed Value of Taxable Property
(\$ in Thousands)

| Fiscal Year Ended June 30 | Real Estate Assessed Value | | | | Personal Property Assessed Value | | |
|------------------------------|----------------------------|----------------|----------------------------|--------------|----------------------------------|----------------------------------|------------|
| | Citizens' Property | Public Service | Newport News Waterworks | Total | Citizens' Property | Public Service ⁽¹⁾ | Total |
| 2006 | \$ 8,165,513 | \$ 116,579 | \$ 63,400 | \$ 8,345,492 | \$ 851,793 | \$ 29,237 | \$ 881,030 |
| 2007 | 9,285,102 | 123,453 | 66,570 | 9,475,125 | 889,008 | 92,981 | 981,989 |
| 2008 | 10,976,166 | 143,250 | 64,280 | 11,183,696 | 911,503 | 87,705 | 999,208 |
| 2009 | 11,357,489 | 155,505 | 61,626 | 11,574,620 | 888,999 | 93,427 | 982,426 |
| 2010 | 11,448,119 | 166,948 | 59,453 | 11,674,520 | 857,853 | 103,642 | 961,495 |
| 2011 | 11,166,293 | 203,348 | 59,454 | 11,429,095 | 876,337 | 104,558 | 980,895 |
| 2012 | 10,930,778 | 31,079 | 58,507 | 11,020,364 | 893,459 | 274,803 | 1,168,262 |
| 2013 | 10,480,999 | 31,923 | 59,881 | 10,572,803 | 929,896 | 280,117 | 1,210,013 |
| 2014 | 10,162,678 | 28,837 | 59,298 | 10,250,813 | 948,177 | 251,247 | 1,199,424 |
| 2015 | 10,092,713 | 30,562 | 59,119 | 10,182,394 | 927,856 | 279,504 | 1,207,360 |

Source: City of Hampton, Virginia, Department of Finance.

(1) Public Service assessed values are furnished by the State Corporation Commission of Virginia with no indication of assessment rate or actual value. The State mandated conversion of personal property to real estate for taxing purposes whereby personal property values are converted at 5% a year over a 20-year period. State Corporation Commission has changed reporting the assessments for real estate (land) and personal property at the real estate rate.

CITY OF HAMPTON, VIRGINIA
Tax Rates

| Fiscal Year Ended June 30 | Rate per \$100 of Assessed Value | |
|------------------------------|----------------------------------|-------------------------------------|
| | Real Estate | Personal Property ⁽¹⁾⁽²⁾ |
| 2006 | \$ 1.20 | \$ 4.25 |
| 2007 | 1.14 | 4.25 |
| 2008 | 1.06 | 4.25 |
| 2009 | 1.04 | 4.25 |
| 2010 | 1.04 | 4.25 |
| 2011 | 1.04 | 4.25 |
| 2012 | 1.04 | 4.25 |
| 2013 | 1.04 | 4.25 |
| 2014 | 1.24 | 4.25 |
| 2015 | 1.24 | 4.50 |

Source: City of Hampton, Virginia Department of Finance.

(1) Personal property is assessed on a calendar year basis. The taxes levied are due in two installments on June 5 and December 5. Changes in the tax rate are implemented on the same basis. When a rate change is enacted by City Council, the first half of the fiscal year's tax levy is at the old rate and the second half is at the new rate. The personal property tax rate was increased from \$4.25 per \$100 to \$4.50 per \$100 levied effective January 1, 2015.

(2) Machinery and tool taxes are assessed, levied and due on the same basis as other property taxes. In fiscal year 2006, the tax rate for machinery and tools was changed to \$3.50 per \$100 levied.

CITY OF HAMPTON, VIRGINIA
Moral Obligation Commitments
For the Year Ended June 30, 2015

| | |
|--|-----------------------------|
| Economic Development Authority Revenue Bonds | \$ 5,021,892 |
| Convention Center Revenue Bonds | <u>81,640,000</u> |
| Total | <u><u>\$ 86,661,892</u></u> |

Source: Finance Department, City of Hampton, Virginia

CITY OF HAMPTON, VIRGINIA
General Fund Expenditures
For the Year Ended June 30, 2015

| <u>Expenditures</u> | 2015 <u>Actual</u> | Percent of Total <u>Actual</u> | 2014 <u>Actual</u> | <u>Difference</u> | Percentage <u>Change</u> |
|---------------------------|-----------------------|--------------------------------------|-----------------------|-------------------|-----------------------------|
| General Government | \$ 101,211,517 | 32.06 % | \$ 97,800,740 | \$ 3,410,777 | 3.37 % |
| Public Safety | 48,021,370 | 15.21 % | 48,694,693 | (673,323) | (1.40)% |
| Highways & Streets | 1,908,348 | 0.60 % | 1,932,408 | (24,060) | (1.26)% |
| Health | 2,604,809 | 0.83 % | 2,649,246 | (44,437) | (1.71)% |
| Human Services | 19,034,980 | 6.03 % | 19,147,530 | (112,550) | (0.59)% |
| Culture & Recreation | 12,521,859 | 3.97 % | 11,473,909 | 1,047,950 | 8.37 % |
| Education - City Share | 71,112,223 | 22.53 % | 70,773,049 | 339,174 | 0.48 % |
| Education - Other Sources | 2,128,797 | 0.67 % | 2,119,571 | 9,226 | 0.43 % |
| Transfers Out | 57,133,810 | 18.10 % | 60,855,754 | (3,721,944) | (6.51)% |
| Totals | <u>\$ 315,677,713</u> | <u>100.00 %</u> | <u>\$ 315,446,900</u> | <u>\$ 230,813</u> | <u>0.07 %</u> |

Source: City of Hampton, Virginia Comprehensive Annual Financial Report for years ended June 30, 2014 and 2015.

CITY OF HAMPTON, VIRGINIA
Summary of General Fund (In Thousands)
Fiscal Years Ended June 30, 2011-2015

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|------------|------------------------|------------------------|------------|------------|
| Revenues | \$ 293,326 | \$ 297,049 | \$ 297,991 | \$ 317,298 | \$ 317,103 |
| Expenditures ⁽⁵⁾ | 234,890 | 239,027 | 248,828 | 254,591 | 258,544 |
| Excess of Revenue over(under) Expenditures | 58,436 | 58,022 | 49,163 | 62,707 | 58,559 |
| Other Financing Sources(Uses) | | | | | |
| Transfers in | | | 4,311 | 7 | 117 |
| Transfers out ⁽¹⁾ | (57,926) | (67,770) | (55,275) | (60,856) | (57,134) |
| Net Other Financing Sources(Uses) | (57,926) | (67,770) | (50,964) | (60,849) | (57,017) |
| Net Change in Fund Balances | 510 | (9,748) ⁽³⁾ | (1,801) ⁽³⁾ | 1,858 | 1,542 |
| Fund Balance, Beginning of Year | 101,370 | 102,338 ⁽⁴⁾ | 91,651 ⁽²⁾ | 89,851 | 91,709 |
| Fund Balance, End of Year | \$ 101,880 | \$ 92,590 | \$ 89,850 | \$ 91,709 | \$ 93,251 |

Source: City of Hampton, Virginia, Comprehensive Annual Financial Report Exhibit B-2 for the fiscal years June 30, 2011 through 2015.

(1) Transfers to the Debt Service Fund constitute a majority of transfers

(2) Restated Fund Balance.

(3) (\$9,748) and (\$1,801) shown for FY12 and FY13 respectively, depicts an accounting deficit, but not a budget deficit. All expenditures were supported by budget revenues.

(4) Excel Fund merged with General Fund in FY12.

(5) Contributions to the schools are reflected in total expenditures.

CITY OF HAMPTON, VIRGINIA
Debt Ratios
As of June 30, 2015

| | <u>Amount</u> | <u>Per Capita</u> | <u>Ratio to Assessed Value</u> |
|-------------------|----------------|-------------------|------------------------------------|
| Gross Direct Debt | \$ 273,840,000 | \$ 1,976.54 | 2.69 % |

Source: Finance Department, City of Hampton, Virginia

(1) Per capita amounts are based on a 2015 population of 138,545, as provided by the Weldon Cooper Center for Public Service.

(2) Assessed value of total real property is \$10,182 billion as of June 30, 2015.

STATISTICAL SECTION

The following section of the City of Hampton's comprehensive annual financial report provides detailed statistical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

CONTENTS

| | |
|---|----------|
| <u>Financial Trends</u> | I-IV |
| These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | |
| <u>Revenue Capacity</u> | V-VIII |
| These tables contain information to help the reader assess the City's most significant local revenue source, the property tax. | |
| <u>Debt Capacity</u> | IX-XI |
| These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future. | |
| <u>Demographic and Economic Information</u> | XII-XIII |
| These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | |
| <u>Operating Information</u> | XIV-XVI |
| These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs. | |

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

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Table I

CITY OF HAMPTON, VIRGINIA
NET POSITION BY COMPONENT
Last Ten Fiscal Year
(accrual basis of accounting)
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|---|---------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 503,004 ⁽¹⁾ | \$ 503,514 | \$ 558,006 | \$ 568,771 | \$ 573,018 | \$ 586,847 | \$ 588,035 | \$ 623,887 | \$ 623,505 | \$ 634,537 |
| Restricted | 18,163 | 13,802 | 23,660 | 32,433 | 21,147 | 10,900 | 11,809 | 12,452 | 13,271 | 75,606 |
| Unrestricted | 96,304 | 118,758 | 130,457 | 118,932 | 112,882 | 109,652 | 92,128 | 55,615 | 76,514 | (140,469) |
| Total governmental activities net position | <u>\$ 617,471</u> | <u>\$ 636,074</u> | <u>\$ 712,123</u> | <u>\$ 720,136</u> | <u>\$ 707,047</u> | <u>\$ 707,399</u> | <u>\$ 691,972</u> | <u>\$ 691,954</u> | <u>\$ 713,290</u> | <u>\$ 569,674</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 76,141 | \$ 92,152 | \$ 62,230 | \$ 58,780 | \$ 58,666 | \$ 68,697 | \$ 69,003 | \$ 73,585 | \$ 70,855 | \$ 70,321 |
| Restricted | 31,572 | 27,158 | 26,356 | 25,578 | 26,727 | 18,721 | 16,844 | 904 | 8,256 | 8,031 |
| Unrestricted | 23,828 | 24,823 | 11,017 | 15,035 | 16,521 | 18,418 | 22,001 | 32,081 | 29,174 | 19,149 |
| Total business-type activities net position | <u>\$ 131,541</u> | <u>\$ 144,133</u> | <u>\$ 99,603</u> | <u>\$ 99,393</u> | <u>\$ 101,914</u> | <u>\$ 105,836</u> | <u>\$ 107,848</u> | <u>\$ 106,570</u> | <u>\$ 108,285</u> | <u>\$ 97,501</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 579,145 | \$ 595,666 | \$ 620,236 | \$ 627,551 | \$ 631,684 | \$ 655,544 | \$ 657,037 | \$ 697,472 | \$ 694,360 | \$ 704,858 |
| Restricted | 49,735 | 40,960 | 50,016 | 58,011 | 47,874 | 29,621 | 28,655 | 13,356 | 21,527 | 83,637 |
| Unrestricted | 120,132 | 143,581 | 141,474 | 133,967 | 129,403 | 128,070 | 114,129 | 87,696 | 105,688 | (121,320) |
| Total primary government net position | <u>\$ 749,012</u> | <u>\$ 780,207</u> | <u>\$ 811,726</u> | <u>\$ 819,529</u> | <u>\$ 808,961</u> | <u>\$ 813,235</u> | <u>\$ 799,821</u> | <u>\$ 798,524</u> | <u>\$ 821,575</u> | <u>\$ 667,175</u> |

Note:

- (1) The significant increase in net investment in capital assets for fiscal year 2006 is due to the capitalization of infrastructure prior to fiscal year 2002 under the transition provisions of GASB Statement 34.
- (1) The decrease in business-type activities for fiscal year 2008 is attributable to the reclassification of HRHA from a blended component unit in the business-type activities to a discretely presented component unit.
- (1) The increase in net investment in capital assets for fiscal year 2011 is due to the related debt decreasing at a greater rate than the decrease in net position. The decrease in restricted assets for fiscal year 2011 is due to the decrease in debt service.

Table II

CITY OF HAMPTON, VIRGINIA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 98,704 | \$ 99,822 | \$ 101,494 | \$ 100,134 | \$ 111,650 | \$ 114,765 | \$ 128,783 | \$ 127,924 | \$ 101,058 | \$ 105,553 |
| Public safety | 43,839 | 46,315 | 50,039 | 51,052 | 51,937 | 49,063 | 49,635 | 53,205 | 69,813 | 72,324 |
| Highway and streets | 9,943 | 14,658 | 7,774 | 12,374 | 12,078 | 13,068 | 11,862 | 15,511 | 18,774 | 14,433 |
| Sanitation | 2,346 | 2,867 | 4,959 | 4,641 | 3,471 | 3,630 | 3,899 | | | |
| Health | 2,900 | 3,125 | 3,090 | 3,098 | 2,949 | 3,161 | 3,056 | 3,337 | 1,114 | 3,528 |
| Human services | 28,578 | 28,535 | 30,004 | 30,198 | 31,226 | 31,574 | 29,142 | 28,528 | 32,807 | 33,234 |
| Culture and recreation | 15,820 | 16,368 | 23,524 | 19,664 | 17,771 | 14,531 | 13,540 | 15,798 | 17,006 | 18,356 |
| Education (payment to school district) | 59,929 | 62,211 | 66,517 | 69,217 | 68,052 | 67,051 | 66,345 | 64,925 | 70,773 | 71,112 |
| Education and educational services | 4,464 | 6,519 | 5,133 | 9,336 | 7,388 | 8,627 | 14,337 | 9,930 | 12,464 | 14,479 |
| Interest on long-term debt | 9,723 | 8,822 | 12,389 | 15,161 | 17,951 | 11,052 | 8,351 | 7,991 | 9,136 | 8,579 |
| Total governmental activities expenses | <u>\$ 276,246</u> | <u>\$ 289,242</u> | <u>\$ 304,923</u> | <u>\$ 314,875</u> | <u>\$ 324,473</u> | <u>\$ 316,522</u> | <u>\$ 328,950</u> | <u>\$ 327,149</u> | <u>\$ 332,945</u> | <u>\$ 341,598</u> |
| Business-type activities | | | | | | | | | | |
| Culture | 30,344 | 31,799 | 34,409 | 32,295 | 30,454 | 27,766 | 27,727 | 25,416 | 28,395 | 29,741 |
| Sanitation | 14,415 | 19,479 | 20,379 | 21,487 | 22,067 | 22,923 | 23,831 | 24,475 | 24,941 | 23,829 |
| Housing | 23,433 | 24,013 | | | | | | | | |
| Total business-type activities expenses | <u>68,192</u> | <u>75,291</u> | <u>54,788</u> | <u>53,782</u> | <u>52,521</u> | <u>50,689</u> | <u>51,558</u> | <u>49,891</u> | <u>53,336</u> | <u>53,570</u> |
| Total primary government expenses | <u>\$ 344,438</u> | <u>\$ 364,533</u> | <u>\$ 359,711</u> | <u>\$ 368,657</u> | <u>\$ 376,994</u> | <u>\$ 367,211</u> | <u>\$ 380,508</u> | <u>\$ 377,040</u> | <u>\$ 386,281</u> | <u>\$ 395,168</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General government | \$ 6,250 | \$ 6,581 | \$ 12,425 | \$ 5,807 | \$ 6,982 | \$ 7,129 | \$ 7,772 | \$ 24,293 | \$ 24,458 | \$ 22,911 |
| Public safety | 2,361 | 2,770 | 2,353 | 1,962 | 2,086 | 2,049 | 2,101 | 5,206 | 5,412 | 5,727 |
| Sanitation | 9,459 | 3,836 | 5,006 | 4,905 | 4,869 | 4,856 | 5,007 | | | |
| Other activities | 8,328 | 5,359 | 5,381 | 5,209 | 6,015 | 5,588 | 6,141 | 2,727 | 2,765 | 2,570 |
| Operating grants and contributions | 63,468 | 60,782 | 59,795 ⁽⁷⁾ | 76,025 | 79,412 | 82,269 | 77,821 | 75,926 | 80,434 | 80,281 |
| Capital grants and contributions | 12,590 | 10,066 | 57,530 ⁽⁷⁾ | 13,453 | 2,423 | 2,569 | 2,782 | 19,778 | 18,291 | 7,153 |
| Total governmental activities program revenues | <u>102,456</u> | <u>89,394</u> | <u>142,490</u> | <u>107,361</u> | <u>101,787</u> | <u>104,460</u> | <u>101,624</u> | <u>127,930</u> | <u>131,360</u> | <u>118,642</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Culture and recreation | 14,059 | 15,970 | 17,800 | 16,242 | 15,411 | 13,675 | 15,603 | 11,722 | 15,714 | 19,407 |
| Sanitation | 15,719 | 21,104 | 22,053 | 23,672 | 26,447 | 26,433 | 26,443 | 27,215 | 27,227 | 25,145 |
| Housing | 1,975 | 2,122 | | | | | | | | |
| Operating grants and contributions | 22,990 | 24,859 | 2,848 | 2,528 | 2,522 | 3,132 | 1,302 | 1,098 | 1,832 | 1,256 |
| Capital grants and contributions | 2,572 | 6,049 | 1,531 | 1,180 | 1,472 | 592 | 613 | 95 | 114 | 58 |
| Total business-type activities program revenues | <u>57,315</u> | <u>70,104</u> | <u>44,232</u> | <u>43,622</u> | <u>45,852</u> | <u>43,832</u> | <u>43,961</u> | <u>40,130</u> | <u>44,887</u> | <u>45,866</u> |
| Total primary government program revenues | <u>\$ 159,771</u> | <u>\$ 159,498</u> | <u>\$ 186,722</u> | <u>\$ 150,983</u> | <u>\$ 147,639</u> | <u>\$ 148,292</u> | <u>\$ 145,585</u> | <u>\$ 168,060</u> | <u>\$ 176,247</u> | <u>\$ 164,508</u> |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (173,790) | \$ (199,848) | \$ (162,433) | \$ (207,514) | \$ (222,686) | \$ (212,062) | \$ (227,326) | \$ (199,219) | \$ (201,585) | \$ (222,956) |
| Business-type activities | (10,877) | (5,187) | (10,556) | (10,160) | (6,669) | (6,857) | (7,597) | (9,761) | (8,449) | (7,704) |
| Total primary government net (expense)/revenue | <u>\$ (184,667)</u> | <u>\$ (205,035)</u> | <u>\$ (172,989)</u> | <u>\$ (217,674)</u> | <u>\$ (229,355)</u> | <u>\$ (218,919)</u> | <u>\$ (227,409)</u> | <u>\$ (208,980)</u> | <u>\$ (210,034)</u> | <u>\$ (230,660)</u> |

Table II

CITY OF HAMPTON, VIRGINIA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|--|-------------------|-------------------|--------------------|-------------------|-----------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Revenues and Other Changes in Net | | | | | | | | | | |
| Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 138,079 | \$ 148,851 | \$ 160,158 | \$ 145,607 | \$ 146,261 | \$ 149,797 | \$ 146,758 | \$ 135,881 | \$ 156,050 | \$ 156,048 |
| Sales taxes | 13,415 | 13,804 | 13,765 | 13,172 | 13,590 | 13,828 | 13,962 | 14,247 | 14,588 | 15,050 |
| Lodging, meal and amusement taxes | 17,547 | 17,864 | 18,241 | 18,188 | 18,621 | 19,606 | 20,100 | 22,224 | 23,639 | 24,041 |
| Motor vehicle taxes | 3,290 | 3,602 | 3,758 | 3,698 | 3,398 | 3,813 | 3,692 | 4,203 | 4,346 | 4,273 |
| Alcoholic beverage taxes | 176 | 176 | 176 ⁽⁸⁾ | | ⁽⁸⁾ | ⁽⁸⁾ | ⁽⁸⁾ | | | |
| Business license taxes | 11,750 | 12,391 | 12,783 | 12,207 | 12,349 | 11,562 | 12,126 | 11,850 | 12,077 | 11,435 |
| Utility taxes | 11,637 | 8,550 | 5,282 | 4,976 | 5,486 | 5,528 | 5,356 | 5,376 | 5,453 | 5,443 |
| Tobacco taxes | 3,889 | 3,942 | 3,760 | 3,629 | 3,538 | 3,681 | 4,364 | 4,264 | 4,421 | 4,077 |
| Emergency 911 telephone taxes | 2,034 | 956 | 421 | 408 | ⁽¹²⁾ | ⁽¹²⁾ | ⁽¹²⁾ | | | |
| Recordation taxes | 2,656 | 2,658 | 2,339 | 1,706 | 1,687 | 1,443 | 1,422 | 1,900 | 1,436 | 1,763 |
| Bank stock taxes | 358 | 309 | 307 | 407 | 453 | 505 | 468 | 487 | 527 | 457 |
| Pari-mutuel license taxes | 113 | 113 | 106 | 93 | 80 | 79 | 66 | 59 | 43 | 4 |
| Short-term rental taxes | 126 | 136 | 127 | 136 | 98 | 89 | 94 | 80 | 75 | 91 |
| Franchise license taxes | 1,315 | 1,341 | 1,364 | 1,448 | 1,327 ⁽¹³⁾ | ⁽¹³⁾ | ⁽¹³⁾ | | | |
| Communications sales tax | | 3,189 | 9,032 | 8,296 | 7,993 | 9,677 | 9,174 | 9,418 | 9,187 | 9,173 |
| Mobile home titling tax | 18 | 39 | 30 | 45 | 33 | 16 | 23 | 14 | 20 | 19 |
| Investment earning | 6,694 | 8,328 | 11,288 | 5,609 | 912 ⁽⁹⁾ | 564 | 285 | 355 | 221 | 227 |
| Miscellaneous | 661 | 4,421 | 4,076 | 4,266 | 2,236 ⁽¹⁰⁾ | 2,548 | 2,874 | | | |
| Transfers | (8,378) | (8,318) | (8,530) | (8,364) | (8,467) | (10,322) | (8,865) | (9,600) | (9,161) | (9,106) |
| Total Governmental Activities | <u>205,380</u> | <u>222,352</u> | <u>238,483</u> | <u>215,527</u> | <u>209,595</u> | <u>212,414</u> | <u>211,899</u> | <u>200,758</u> | <u>222,922</u> | <u>222,995</u> |
| Business-Type Activities: | | | | | | | | | | |
| Investment earning | 1,783 | 2,603 | 1,659 | 628 | 723 | 457 | 664 | 529 | 1,003 | 946 |
| Miscellaneous | 1,800 | 2,891 | 1,020 | 958 | ⁽¹¹⁾ | ⁽¹¹⁾ | 80 | | | |
| Transfers | 8,378 | 8,318 | 8,530 | 8,364 | 8,467 | 10,322 | 8,865 | 9,600 | 9,161 | 9,106 |
| Total Business-Type Activities | <u>11,961</u> | <u>13,812</u> | <u>11,209</u> | <u>9,950</u> | <u>9,190</u> | <u>10,779</u> | <u>9,609</u> | <u>10,129</u> | <u>10,164</u> | <u>10,052</u> |
| Total Primary Government | <u>\$ 217,341</u> | <u>\$ 236,164</u> | <u>\$ 249,692</u> | <u>\$ 225,477</u> | <u>\$ 218,785</u> | <u>\$ 223,193</u> | <u>\$ 221,508</u> | <u>\$ 210,887</u> | <u>\$ 233,086</u> | <u>\$ 233,047</u> |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities | \$ 31,590 | \$ 22,504 | \$ 76,050 | \$ 8,013 | \$ (13,091) | \$ 352 | \$ (15,427) | \$ 1,539 | \$ 21,337 | \$ 39 |
| Business-type activities | 1,084 | 8,625 | 653 | (210) | 2,521 | 3,922 | 2,012 | 368 | 1,715 | 2,348 |
| Total primary government | <u>\$ 32,674</u> | <u>\$ 31,129</u> | <u>\$ 76,703</u> | <u>\$ 7,803</u> | <u>\$ (10,570)</u> | <u>\$ 4,274</u> | <u>\$ (13,415)</u> | <u>\$ 1,907</u> | <u>\$ 23,052</u> | <u>\$ 2,387</u> |

- (1) Beginning in Fiscal Year 2006 capital improvements were classified by function.
- (2) In 2008 HRHA was reclassified from a blended component unit to a discretely presented component unit.
- (3) Highways and streets expenses increased \$4.1 million due to additional road improvements.
- (4) Culture and recreation capitalized \$3.1 million of expenses for capital projects that included the Buckroe Pier and the Hampton Teen Center.
- (5) Education payments to the school district \$32.7 million for SOQ programs per State Law. Budgeted \$36.4 million local contribution in excess of State Requirement.
- (6) Interest on the 2008 Bonds came due in FY09 and was over \$8 million.
- (7) Capital contributions for FY2008 included contributions for prior years.
- (8) Alcoholic beverage tax revenue was cut from the budget of all localities in FY09.
- (9) Rate of return decreased in FY10 due to the economy.
- (10) Land sale of \$1.5M reflected in FY09.
- (11) There was no miscellaneous changes that could not be applied to another category.
- (12) Emergency 911 telephone tax is included in state aid.
- (13) Franchise license tax is included in the Communication sales tax beginning FY11.

Table III

CITY OF HAMPTON, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|------------------------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013* | 2014 | 2015 |
| General fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 29 | \$ 44 | \$ 34 | \$ 224 | \$ 598 |
| Restricted | | | | | | 4,305 | 871 | 333 | 398 | 412 |
| Committed | | | | | | 45,848 | 32,858 | 29,439 | 32,308 | 34,959 |
| Assigned | | | | | | 2,025 | 7,708 | 5,926 | 7,257 | 5,237 |
| Unassigned | | | | | | 50,198 | 51,175 | 54,185 | 51,589 | 52,112 |
| Reserved | 1,235 | 1,727 | 2,204 | 1,142 | 1,290 | - | - | - | - | - |
| Unreserved | 68,394 | 82,015 | 96,902 | 98,120 | 100,080 | - | - | - | - | - |
| Total general fund | <u>\$ 69,629</u> | <u>\$ 83,742</u> | <u>\$ 99,106</u> | <u>\$ 99,262</u> | <u>\$ 101,370</u> | <u>\$ 102,405</u> | <u>\$ 92,656</u> | <u>\$ 89,917</u> | <u>\$ 91,776</u> | <u>\$ 93,318</u> |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,943 | \$ - | (1) \$ - | \$ - | \$ - |
| Restricted | | | | | | 12,377 | 10,938 | 12,336 | 13,368 | 14,107 |
| Committed | | | | | | 48,147 | 26,122 | 53,748 | 39,064 | 66,535 |
| Assigned | | | | | | 6,631 | 6,035 | 5,534 | 6,233 | 5,421 |
| Reserved | 11,773 | 7,760 | 7,351 | 6,259 | 16,461 | - | - | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Debt service | | | | 451 | 498 | - | - | - | - | - |
| Special revenue funds | 13,888 | 12,659 | 18,225 | 18,830 | 13,451 | - | - | - | - | - |
| Capital projects funds | 61,220 | 83,790 | 186,041 | 134,544 | 75,683 | - | - | - | - | - |
| Permanent funds | 61 | 63 | 65 | 67 | 67 | - | - | - | - | - |
| Total all other governmental funds | <u>\$ 86,942</u> | <u>\$ 104,272</u> | <u>\$ 211,682</u> | <u>\$ 160,151</u> | <u>\$ 106,160</u> | <u>\$ 72,098</u> | <u>\$ 43,095</u> | <u>\$ 71,618</u> | <u>\$ 58,665</u> | <u>\$ 86,063</u> |

* Implemented GASB Statement No. 54: Fund balance reporting and governmental fund type definitions in fiscal year 2011.

(1) Restated in fiscal year 2013.

Table IV

CITY OF HAMPTON, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

| | Fiscal Year | | | | | | | | | |
|---|-----------------|------------------|-------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Revenues | | | | | | | | | | |
| Taxes (see table V) | \$ 206,706 | \$ 214,475 | \$ 231,277 | \$ 213,346 | \$ 213,976 | \$ 219,413 | \$ 211,542 | \$ 210,415 | \$ 229,596 | \$ 230,933 |
| Intergovernmental revenues | 56,585 | 55,427 | 59,721 | 82,874 | 82,565 | 81,849 | 78,314 | 85,937 | 92,705 | 84,165 |
| Licenses and permits | 1,686 | 2,030 | 1,082 | 939 | 1,078 | 1,024 | 1,072 | 1,169 | 1,156 | 1,299 |
| Fines and forfeitures | 2,088 | 2,142 | 2,269 | 2,209 | 2,004 | 2,189 | 2,493 | 2,386 | 2,307 | 1,967 |
| Revenue from use of money and property | 7,975 | 10,355 | 17,855 | 9,417 | 2,861 | 2,065 | 1,319 | 1,329 | 1,395 | 2,142 |
| Charges for services | 9,907 | 9,812 | 10,895 | 10,489 | 11,354 | 11,532 | 13,414 | 15,570 | 17,297 | 17,240 |
| Payment from component unit | | | | | | | | | 2,000 | 2,000 |
| Miscellaneous | 10,799 | 7,891 | 6,025 | 4,660 | 4,848 | 5,532 | 5,987 | 7,705 | 8,056 | 5,529 |
| Special assessments | - | - | - | - | - | - | 4,558 | 6,543 | 4,730 | 4,183 |
| Recovered costs | 9,834 | 10,558 | 10,489 | 2,057 | 1,170 | 1,158 | 1,145 | 906 | 906 | 906 |
| Total Revenues | <u>305,580</u> | <u>312,690</u> | <u>339,613</u> | <u>325,991</u> | <u>319,856</u> | <u>326,763</u> | <u>321,844</u> | <u>333,960</u> | <u>360,148</u> | <u>350,364</u> |
| Expenditures | | | | | | | | | | |
| General government | 82,671 | 87,791 | 89,137 | 91,568 | 98,305 | 99,066 | 96,371 | 102,441 | 103,076 | 106,074 |
| Public safety | 43,709 | 46,024 | 50,450 | 51,441 | 50,722 | 48,322 | 48,460 | 52,872 | 54,064 | 53,491 |
| Highways and streets | 2,587 | 2,405 | 2,395 | 2,362 | 2,200 | 1,812 | 1,980 | 1,947 | 1,932 | 1,908 |
| Sanitation | 2,346 | 2,883 | 3,656 | 3,543 | 3,455 | 3,637 | 3,949 | 3,935 | 4,332 | 4,413 |
| Health | 2,874 | 3,118 | 3,205 | 2,978 | 2,709 | 2,652 | 2,441 | 2,567 | 2,649 | 2,605 |
| Human Services | 28,577 | 28,491 | 30,032 | 30,480 | 31,187 | 31,558 | 29,151 | 28,437 | 28,557 | 29,394 |
| Culture and recreation | 14,742 | 14,196 | 15,255 | 15,680 | 15,452 | 12,080 | 12,564 | 13,202 | 11,678 | 12,725 |
| Education (payment to school district) | 59,928 | 62,211 | 66,517 | 69,216 | 68,052 | 67,052 | 66,345 | 64,925 | 70,773 | 71,112 |
| Education | 2,295 | 2,314 | 2,404 | 2,394 | 2,262 | 2,133 | 2,098 | 2,120 | 2,120 | 2,129 |
| Capital improvements | 31,332 | 27,460 | 46,615 | 84,855 | 74,162 | 53,115 | 52,536 | 38,473 | 49,030 | 48,449 |
| Debt service | | | | | | | | | | |
| Principal | 11,938 | 24,443 | 12,530 | 13,235 | 15,210 | 17,640 | 18,714 | 19,661 | 22,166 | 23,152 |
| Interest and fiscal charges | 9,701 | 9,348 | 8,825 | 15,757 | 12,939 | 12,901 | 12,619 | 10,726 | 11,707 | 10,899 |
| Bond issuance cost | | | | | | | 313 | 470 | - | 519 |
| Total expenditures | <u>292,700</u> | <u>310,684</u> | <u>331,021</u> | <u>383,509</u> | <u>376,937</u> | <u>352,013</u> | <u>347,541</u> | <u>341,776</u> | <u>362,084</u> | <u>366,870</u> |
| Excess of revenues over (under) | | | | | | | | | | |
| expenditures | <u>12,880</u> | <u>2,006</u> | <u>8,592</u> | <u>(57,518)</u> | <u>(57,081)</u> | <u>(25,250)</u> | <u>(25,697)</u> | <u>(7,816)</u> | <u>(1,936)</u> | <u>(16,506)</u> |
| Other financing sources (uses) | | | | | | | | | | |
| Debt issuance and capital leases | 350 | 29,540 | 116,275 | 14,506 | 7,435 | 2,545 | - | - | - | 46,770 |
| Proceeds from refunding bonds issued | - | - | 29,540 | | 65,595 | - | 44,770 | 38,865 | - | 56,250 |
| Payment to refunded bond escrow agent | (350) | - | (29,540) | - | (65,469) | - | (49,562) | - | - | (70,151) |
| Premium on bond issue | | | | | 6,105 | - | 5,118 | 5,263 | - | 21,684 |
| Transfers in | 30,965 | 39,652 | 37,362 | 41,435 | 39,893 | 48,507 | 59,650 | 52,360 | 55,156 | 50,289 |
| Transfers out | (39,343) | (47,854) | (45,893) | (49,798) | (48,360) | (58,829) | (68,401) | (61,948) | (64,317) | (59,395) |
| Total other financing sources (uses) | <u>(8,378)</u> | <u>21,338</u> | <u>114,182</u> | <u>6,143</u> | <u>5,199</u> | <u>(7,777)</u> | <u>(8,425)</u> | <u>34,540</u> | <u>(9,161)</u> | <u>45,447</u> |
| Net change in fund balances | <u>\$ 4,502</u> | <u>\$ 23,344</u> | <u>\$ 122,774</u> | <u>\$ (51,375)</u> | <u>\$ (51,882)</u> | <u>\$ (33,027)</u> | <u>\$ (34,122)</u> | <u>\$ 26,724</u> | <u>\$ (11,097)</u> | <u>\$ 28,941</u> |
| Debt service as a percentage of noncapital expenditures | 7.9 % | 11.9 % | 7.0 % | 9.0 % | 9.0 % | 8.7 % | 9.4 % | 9.0 % | 9.0 % | 9.0 % |

Table V

CITY OF HAMPTON, VIRGINIA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

| Fiscal Year | General Property Taxes | Business Licenses | Sales Taxes | Utility Taxes | Tobacco Taxes | Communications Sales Taxes | Meal Taxes | Other Taxes³ | Total |
|--------------------|-------------------------------|--------------------------|--------------------|----------------------|----------------------|-----------------------------------|-------------------|--------------------------------|--------------|
| 2006 | \$ 139,280 | \$ 11,751 | \$ 13,415 | \$ 11,637 | \$ 3,889 | \$ - | \$ 13,426 | \$ 13,308 | \$ 206,706 |
| 2007 | 148,237 | 12,391 | 13,804 | 8,550 | 3,942 | 3,189 | 13,685 | 10,677 | 214,475 |
| 2008 | 160,329 | 12,784 | 13,765 | 5,703 | 3,760 | 9,032 | 13,974 | 11,930 | 231,277 |
| 2009 | 145,683 ² | 12,207 | 13,172 | 4,976 | 3,629 | 8,296 | 13,912 | 11,471 | 213,346 |
| 2010 | 145,245 | 12,349 | 13,590 | 4,962 | 3,538 | 7,993 | 14,417 | 11,882 | 213,976 |
| 2011 | 144,302 | 11,562 | 13,828 | 5,063 | 3,681 | 9,677 | 15,269 | 16,031 | 219,413 |
| 2012 | 141,076 ¹ | 12,126 | 13,962 | 4,929 | 4,364 | 9,174 | 15,793 | 10,118 | 211,542 |
| 2013 | 136,705 | 11,850 | 14,247 | 4,959 | 4,264 | 9,418 | 18,083 | 10,889 | 210,415 |
| 2014 | 154,193 | 12,077 | 14,588 | 4,986 | 4,421 | 9,187 | 18,974 | 11,170 | 229,596 |
| 2015 | 155,527 | 11,435 | 15,050 | 4,916 | 4,077 | 9,173 | 19,471 | 11,283 | 230,932 |

Notes:

¹The City was able to lower the real estate tax rate from \$1.14 per \$100 assessed value in 2007 to \$1.06 per \$100 assessed value in 2008 due to significant growth in assessments. The City lowered the real estate tax rate again in 2012 to \$1.04 per \$100 assessed value.

²In fiscal year 2009, Personal Property Tax Relief Act revenue was reclassified as noncategorical state revenue, decreasing the general property taxes in this table.

³Other taxes include: short-term rental, recordation, lodging and transit, amusement, motor vehicle, bank stock, license - pari-mutuel, public right of way, and franchise taxes.

Table VI

CITY OF HAMPTON, VIRGINIA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(amounts expressed in thousands)

| Real Estate | | | | | | | |
|--------------------|---------------------------|-----------------------------------|--------------------------------|-------------------------------------|---------------------------------------|--|------------------------------|
| Fiscal Year | Citizens' Property | Public Service¹ | Newport News Waterworks | Total Taxable Assessed Value | Estimated Actual Taxable Value | Assessed Value as a Percent of Estimated Actual Value² | Total Direct Tax Rate |
| 2006 | \$ 8,165,513 | \$ 116,579 | \$ 63,400 | \$ 8,345,492 | \$ 10,554,562 | 79% | 1.20 |
| 2007 | 9,285,102 | 123,453 | 66,570 | 9,475,125 | 11,693,354 | 81% | 1.14 |
| 2008 | 10,976,166 | 143,250 | 64,280 | 11,183,696 | 13,936,070 | 80% | 1.06 |
| 2009 | 11,357,489 | 155,505 | 61,626 | 11,574,620 | 12,321,290 | 94% | 1.04 |
| 2010 | 11,448,119 | 166,948 | 59,453 | 11,674,520 | 11,637,281 | 100% | 1.04 |
| 2011 | 11,166,293 | 203,348 | 59,454 | 11,429,095 | 11,514,301 | 99% | 1.04 |
| 2012 | 10,930,778 | 31,079 | 58,507 | 11,020,364 | 10,643,581 | 104% | 1.04 |
| 2013 | 10,480,999 | 31,923 | 59,881 | 10,572,803 | 10,254,901 | 103% | 1.04 |
| 2014 | 10,162,678 | 28,837 | 59,298 | 10,250,813 | 10,250,813 | 100% | 1.24 |
| 2015 | 10,092,713 | 30,562 | 59,119 | 10,182,394 | 10,182,394 | 100% | 1.24 |

Notes:

¹Public service assessed values are furnished by the State Corporation Commission of Virginia with no indication of assessment rate or actual value. The state mandated conversion of personal property to real estate for taxing purposes whereby personal property values are converted at 5% a year over a 20-year period. State Corporation Commission has changed reporting the assessments for real estate (land) and personal property at the real estate rate.

²The state requires all real estate to be assessed at 100% of its appraised value. There is no state statute or city charter limitation on the tax rate. The latest State Department of Taxation comparison of sales to appraisal indicates a true rate of 100%.

Table VII

**CITY OF HAMPTON, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Prior
(amounts expressed in thousands)**

| Taxpayer | 2015 | | | 2006 | | |
|--|----------------------|------|--|----------------------|------|--|
| | Total Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Total Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Hampton Owners LLC | \$ 136,828 | 1 | 1.3 % | | | |
| City of Newport News/NN Waterworks | 59,513 | 2 | 0.6 % | | | |
| Hampton University | 41,840 | 3 | 0.4 % | | | |
| FCLA LP | 40,861 | 4 | 0.4 % | | | |
| MOLA LLC | 37,475 | 5 | 0.4 % | | | |
| Trail Creek Apartments LLC | 36,791 | 6 | 0.4 % | | | |
| Bri Lakeridge LLC | 33,589 | 7 | 0.3 % | | | |
| Hampton Center LLC | 33,100 | 8 | 0.3 % | | | |
| Cambridge Apartments LC | 31,856 | 9 | 0.3 % | | | |
| Peninsula Grove LLC | 29,808 | 10 | 0.3 % | | | |
| Hampton Mall Association - shopping mall retail | | | | 55,659 | 1 | 0.7 % |
| John Q Hammons | | | | 40,682 | 2 | 0.5 % |
| Hampton Center LLC | | | | 34,757 | 3 | 0.4 % |
| Hampton Training School NU | | | | 26,724 | 4 | 0.3 % |
| Coliseum Crossing | | | | 25,691 | 5 | 0.3 % |
| Bri Lakeridge LLC | | | | 25,270 | 6 | 0.3 % |
| Crit-VA III LLC | | | | 24,089 | 7 | 0.3 % |
| Riverdale Apartments LLC | | | | 23,741 | 8 | 0.3 % |
| Mid America Apartments LP | | | | 23,537 | 9 | 0.3 % |
| Addison at Hampton LLC | | | | 21,913 | 10 | 0.3 % |
| | <u>\$ 481,661</u> | | <u>4.7 %</u> | <u>\$ 302,063</u> | | <u>3.7 %</u> |

Source: City of Hampton, Office of the Assessor of Real Estate

Table VIII

CITY OF HAMPTON, VIRGINIA
REAL ESTATE TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(amounts expressed in thousands)

| <u>Fiscal Year</u> | <u>Taxes Levied for the Fiscal Year</u> | <u>Collected within the Fiscal Year of the Levy</u> | | <u>Collections in Subsequent Years</u> | <u>Total Collections to Date</u> | |
|--------------------|---|---|-------------------------------|--|----------------------------------|-------------------------------|
| | | <u>Amount</u> | <u>Percentage of Levy</u> | | <u>Amount</u> | <u>Percentage of Levy</u> |
| 2006 | \$ 100,038 | \$ 98,636 | 98.60 % | \$ 1,392 | \$ 100,028 | 99.99% |
| 2007 | 108,113 | 106,269 | 98.29 % | 1,812 | 108,081 | 99.97% |
| 2008 | 118,381 | 116,623 | 98.51 % | 1,691 | 118,314 | 99.94% |
| 2009 | 120,167 | 118,427 | 98.55 % | 1,592 | 120,019 | 99.88% |
| 2010 | 121,523 | 119,081 | 97.99 % | 1,866 | 120,947 | 99.53% |
| 2011 | 118,863 | 116,854 | 98.31 % | 360 | 117,214 | 98.61% |
| 2012 | 114,612 | 112,370 | 98.04 % | 489 | 112,859 | 98.47% |
| 2013 | 109,957 | 108,589 | 98.76 % | 1,364 | 109,953 | 100.00% |
| 2014 | 127,110 | 125,559 | 98.78 % | - | 125,559 | 98.78% |
| 2015 | 126,262 | 124,440 | 98.56 % | - | 124,440 | 98.56% |

Notes:

*There are no overlapping or underlying tax jurisdictions.

Table IX

CITY OF HAMPTON, VIRGINIA
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita)

| General Bonded Debt¹ | | | | | Percentage of Estimated Actual Taxable Value of Property | Per Capita | Capital Leases |
|--|---|--------------------------|-------------------------------------|--------------|---|-----------------------|---------------------------|
| Fiscal Year | General Obligation Bonds² | Notes Payable | State Literary Loans | Total | | | |
| 2006 | \$ 198,045 | \$ 1,192 | \$ 1,140 | \$ 200,377 | 1.92% | \$ 1,377.16 | \$ 1,295 |
| 2007 | 203,635 | 886 | 952 | 205,473 | 1.49% | 1,410.17 | 1,730 |
| 2008 | 307,745 | 709 | 764 | 309,218 | 2.52% | 2,119.94 | 1,309 |
| 2009 | 294,835 | 532 | 616 | 295,983 | 2.49% | 2,052.53 | 1,001 |
| 2010 | 294,130 | 355 | 468 | 294,953 | 2.53% | 2,037.69 | 15,925 |
| 2011 | 279,360 | 177 | 320 | 279,857 | 2.45% | 2,036.27 | 15,159 |
| 2012 | 261,100 | - | 174 | 261,274 | 2.35% | 1,901.06 | 19,195 |
| 2013 | 280,070 | - | 82 | 280,152 | 2.65% | 2,044.91 | 16,797 |
| 2014 | 272,162 | - | - | 272,162 | 2.66% | 1,958.00 | 14,374 |
| 2015 | 306,061 | - | - | 306,061 | 3.01% | 2,201.88 | 11,894 |

| Business-Type Activities | | | | | Percentage of Personal Income | Per Capita⁴ |
|---------------------------------|--------------------------|---------------------------|-----------------------------------|-------------------------------------|--|-----------------------------------|
| Fiscal Year | Revenue Bonds | Capital Leases | HRHA Notes Payable | Total Primary Government | | |
| 2006 | \$ 118,715 | \$ 1,379 | \$ 971 | \$ 322,737 | 7.09 % | \$ 2,218.12 |
| 2007 | 117,300 | 1,250 | 870 | 326,623 | 6.84 % | 2,241.63 |
| 2008 | 115,850 | 1,124 | - | 427,501 | 8.20 % | 2,930.86 |
| 2009 | 114,360 | 1,006 | - | 412,350 | 7.89 % | 2,859.49 |
| 2010 | 112,810 | 900 | - | 424,588 | 7.99 % | 2,933.27 |
| 2011 | 100,120 | 748 | - | 395,884 | 7.26 % | 2,880.50 |
| 2012 | 91,800 | 582 | - | 372,851 | - % | 2,712.91 |
| 2013 | 87,725 | 403 | - | 385,077 | - % | 2,810.78 |
| 2014 | 98,886 | 211 | - | 385,633 | N/A | 2,774.34 |
| 2015 | 95,572 | - | - | 413,527 | N/A | 2,975.01 |

Notes:

¹Details regarding the City's outstanding debt can be found in the notes to the financial statements.

²General obligation bond amounts exclude the unamortized premiums.

³See Table VI for estimated actual taxable value of property data.

⁴See Table XII for personal income and population data. The most recent personal income data available from the Bureau of Economic analysis is 2013.

N/A-Not available

CITY OF HAMPTON, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(amounts expressed in thousands)

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Debt limit | \$ 834,549 | \$ 947,512 | \$ 1,118,370 | \$ 1,157,462 | \$ 1,167,452 | \$ 1,142,909 | \$ 1,102,036 | \$ 1,057,280 | \$ 1,025,081 | \$ 1,018,239 |
| Total net debt applicable to limit | 200,377 | 205,473 | 309,218 | 295,983 | 294,953 | 279,857 | 261,274 | 280,152 | 257,645 | 273,840 |
| Legal debt margin | <u>\$ 634,172</u> | <u>\$ 742,039</u> | <u>\$ 809,152</u> | <u>\$ 861,479</u> | <u>\$ 872,499</u> | <u>\$ 863,052</u> | <u>\$ 840,762</u> | <u>\$ 777,128</u> | <u>\$ 767,436</u> | <u>\$ 744,399</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 24.01 % | 21.69 % | 27.65 % | 25.57 % | 25.26 % | 24.49 % | 23.71 % | 26.50 % | 25.13 % | 26.89 % |

Legal Debt Margin Calculation for current Fiscal Year: 2015

| | |
|--|-------------------|
| Assessed value | \$ 10,182,394 |
| Debt limit (10% of total assessed value) | 1,018,239 |
| Debt applicable to limit: | |
| General obligation debt | <u>273,840</u> |
| Total net debt applicable to limit: | <u>273,840</u> |
| Legal debt margin | <u>\$ 744,399</u> |

Notes:

Virginia state statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City. The calculation excludes installment purchase of contracts, accrued sick and annual leave, net pension obligation, net OPEB obligation and net pension liability totaling \$202,691,733 at June 30, 2015.

*There are no overlapping or underlying tax jurisdictions.

Table XI

CITY OF HAMPTON, VIRGINIA
PLEDGE-REVENUE COVERAGE
Last Ten Fiscal Years
(amounts expressed in thousands)

| Fiscal Year | Gross Revenues(1) | Operating Expenses(2) | Net Revenue Available for Debt Service | Debt Service Requirements(3) | | | Coverage |
|----------------------------|----------------------|--------------------------|--|------------------------------|----------|----------|----------|
| | | | | Principal | Interest | Total | |
| The Hamptons Revenue Bonds | | | | | | | |
| 2006 | \$ 1,567 | \$ 1,074 | \$ 493 | \$ 215 | \$ 116 | \$ 331 | 1.49 |
| 2007 | 1,571 | 1,090 | 481 | 230 | 103 | 333 | 1.44 |
| 2008 | 1,676 | 1,164 | 512 | 240 | 89 | 329 | 1.56 |
| 2009 | 1,570 | 1,143 | 427 | 250 | 74 | 324 | 1.32 |
| 2010 | 1,426 | 1,037 | 389 | 260 | 59 | 319 | 1.22 |
| 2011 | 1,526 | 1,072 | 454 | 270 | 43 | 313 | 1.45 |
| 2012 | 1,534 | 1,033 | 501 | 285 | 26 | 311 | 1.61 |
| 2013 | 1,200 | 1,194 | 6 | 295 | 9 | 304 | 0.02 |
| Museum Revenue Bonds | | | | | | | |
| 2006 | \$ 7,820 | \$ 5,155 | \$ 2,665 | \$ 1,130 | \$ 460 | \$ 1,590 | 1.68 |
| 2007 | 9,682 | 5,729 | 3,953 | 1,185 | 403 | 1,588 | 2.49 |
| 2008 | 8,025 | 6,130 | 1,895 | 1,210 | 365 | 1,575 | 1.20 |
| 2009 | 7,368 | 5,561 | 1,807 | 1,240 | 351 | 1,591 | 1.14 |
| 2010 | 7,193 | 5,456 | 1,737 | 1,290 | 301 | 1,591 | 1.09 |
| 2011 | 7,405 | 5,299 | 2,106 | 1,330 | 238 | 1,568 | 1.34 |
| 2012 | 5,224 | 3,963 | 1,261 | 1,370 | 182 | 1,552 | 0.81 |
| 2013 | 4,730 | 3,468 | 1,262 | 1,440 | 112 | 1,552 | 0.81 |
| 2014 | 4,412 | 3,084 | 1,328 | 1,515 | 38 | 1,553 | 0.86 |

Table XI

CITY OF HAMPTON, VIRGINIA
PLEDGE-REVENUE COVERAGE
Last Ten Fiscal Years
(amounts expressed in thousands)

| Fiscal Year | Gross Revenues(1) | Operating Expenses(2) | Net Revenue Available for Debt Service | Debt Service Requirements(3) | | | Coverage |
|--|----------------------|--------------------------|--|------------------------------|----------|----------|----------|
| | | | | Principal | Interest | Total | |
| Economic Development Authority Revenue Bonds | | | | | | | |
| 2006 | \$ 8,890 | \$ 4,946 | \$ 3,944 | \$ 432 | \$ 719 | \$ 1,151 | 3.43 |
| 2007 | 5,007 | 4,420 | 587 | 392 | 693 | 1,085 | 0.54 |
| 2008 | 3,456 | 3,166 | 290 | 417 | 561 | 978 | 0.30 |
| 2009 | 6,940 | 4,126 | 2,814 | 445 | 528 | 973 | 2.89 |
| 2010 | 5,066 | 4,420 | 646 | 475 | 501 | 976 | 0.66 |
| 2011 | 2,568 | 2,813 | (245) | 505 | 470 | 975 | (0.25) |
| 2012 | 2,248 | 1,601 | 647 | 537 | 453 | 990 | 0.65 |
| 2013 | 2,244 | 3,555 | (1,311) | 570 | 402 | 972 | (1.35) |
| 2014 | 3,401 | 2,343 | 1,058 | 607 | 364 | 971 | 1.09 |
| 2015 | 3,585 | 3,145 | 440 | 646 | 324 | 970 | 0.45 |
| Convention Center Revenue Bonds(4) | | | | | | | |
| 2007 | \$ 9,288 | \$ 2,993 | \$ 6,295 | - | 5,363 | \$ 5,363 | 1.17 |
| 2008 | 9,989 | 3,885 | 6,104 | - | 5,335 | 5,335 | 1.14 |
| 2009 | 8,626 | 3,092 | 5,534 | - | 5,362 | 5,362 | 1.03 |
| 2010 | 8,625 | 2,859 | 5,766 | - | 5,363 | 5,363 | 1.08 |
| 2011 | 10,535 | 3,371 | 7,164 | 2,155 | 4,151 | 6,306 | 1.14 |
| 2012 | 9,698 | 3,931 | 5,767 | 2,265 | 3,371 | 5,636 | 1.02 |
| 2013 | 10,698 | 3,262 | 7,436 | 2,340 | 4,432 | 6,772 | 1.10 |
| 2014 | 10,647 | 3,359 | 7,288 | 2,245 | 4,218 | 6,463 | 1.13 |
| 2015 | 10,714 | 3,470 | 7,244 | 2,325 | 4,123 | 6,448 | 1.12 |

Notes:

- (1)Gross revenues include transfers in.
(2)Total operating expenses exclusive of depreciation.
(3)Includes principal and interest of revenue bonds only.
(4)Operation of the Convention Center began in March 2005.

Table XII

CITY OF HAMPTON, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

| Fiscal Year | Population¹ | Personal Income ² (In Thousands) | Per Capita Income³ | School Membership⁴ | Unemployment Rate Percentage⁵ |
|------------------------|-------------------------------|--|--|--|---|
| 2006 | 145,500 | \$ 4,551,991 | \$ 31,057 | 22,229 | 4.2% |
| 2007 | 145,708 | 4,775,904 | 32,608 | 22,176 | 3.6% |
| 2008 | 145,862 | 5,215,071 | 35,903 | 21,189 | 4.9% |
| 2009 | 144,204 | 5,228,880 | 36,252 | 21,411 | 8.2% |
| 2010 | 144,749 | 5,311,551 | 38,678 | 20,804 | 8.6% |
| 2011 | 137,436 | 5,456,189 | 40,001 | 20,762 | 8.0% |
| 2012 | 137,372 | 5,766,394 | 42,141 | 21,622 | 7.8% |
| 2013 | 136,836 | 5,872,272 | 42,958 | 21,366 | 7.1% |
| 2014 | 139,032 | N/A | N/A | 21,113 | 6.7% |
| 2015 | 138,545 | N/A | N/A | 19,854 | 6.3% |

Notes:

¹Source: Weldon Cooper Center for Public Service as of July 1, 2014.

²Source: Bureau of Economic Analysis. Most recent information available is 2013.

³Source: Bureau of Economic Analysis. Most recent information available is 2013.

⁴Source: Hampton City Schools

⁵Source: U.S. Bureau of Labor Statistics

N/A-Not available

**CITY OF HAMPTON, VIRGINIA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Prior**

| 2015 | 2006 |
|---|---|
| Over 600 Employees | 500+ Employees |
| Alcoa Howmet | AMSEC LLC |
| City of Hampton | City of Hampton |
| Hampton City Schools | Fort Monroe |
| Hampton University | Hampton City Schools |
| Hampton Veteran's Affairs Medical Center | Hampton University |
| Langley Air Force Base | Howmet Corporation |
| NASA Langley Research Center | Langley Air Force Base |
| Sentara Hampton General Hospital | Lockheed Technical Operations, Inc. |
| Thomas Nelson Community College | NASA - Langley |
| TRG Customer Solution | Newport News Holding/Spiegel Catalog Holdings |
| | Nextel Communications |
| | Science Applicants Int'l Corp. |
| | Sentara Hampton General Hospital |
| | Teletech Customer Care |
| | V.A. Hospital |
| | Walmart Associates, Inc. |
| | West Telemarketing Corporation |
| 200-599 Employees: | 250-499 Employees: |
| Analytical Mechanics Associates | Association for Retarded Citizens |
| Cubic Applications (subsidiary of Cubic Corporation) | Cubic Applications, Inc. |
| Jacobs Technology (subsidiary of Jacobs Engineering)) | Farm Fresh LLC |
| Measurement Specialties/TE Connectivity | Food Lion LLC |
| Riverside Regional Medical Centers | Hampton Roads Transit |
| Science Systems and Applications | Headway Corp Staffing Services, LLC |
| Sprint | McDonalds |
| Top Guard | Riverside Behavioral Centers, Inc. |
| | Raytheon Company |
| | 7 Eleven Stores |
| | Telespectrum, Inc. |

Source: City of Hampton, Department of Economic Development

Note: The Virginia Employment Commission does not permit specific employee numbers to be publicly reported. For that reason, the ranges above are presented.

Table XIV

CITY OF HAMPTON, VIRGINIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

| Function | Fiscal Year | | | | | | | | | |
|--------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Governmental activities | | | | | | | | | | |
| General government | 588 | 588 | 578 | 588 | 588 | 574 | 562 | 574 | 568 | 577 |
| Public safety | 686 | 695 | 707 | 695 | 645 | 649 | 663 | 688 | 697 | 704 |
| Highway and streets | 31 | 30 | 29 | 30 | 27 | 24 | 24 | 20 | 24 | 21 |
| Sanitation | 35 | 41 | 47 | 48 | 47 | 46 | 51 | 49 | 54 | 56 |
| Health | 23 | 24 | 22 | 22 | 22 | 16 | 16 | 19 | 20 | 20 |
| Human services | 237 | 242 | 245 | 232 | 236 | 225 | 229 | 229 | 228 | 234 |
| Culture and recreation | 173 | 172 | 167 | 159 | 137 | 128 | 123 | 128 | 123 | 126 |
| Total Governmental activities | 1,773 | 1,792 | 1,795 | 1,774 | 1,702 | 1,662 | 1,668 | 1,707 | 1,714 | 1,738 |
| Business-type activities | | | | | | | | | | |
| Culture and recreation | 43 | 45 | 44 | 38 | 37 | 36 | 37 | 32 | 35 | 32 |
| Sanitation | 154 | 152 | 146 | 147 | 140 | 143 | 141 | 142 | 138 | 126 |
| Housing ¹ | 68 | 68 | | | | | | | | |
| Total Business-type activities | 265 | 265 | 190 | 185 | 177 | 179 | 178 | 174 | 173 | 158 |
| Total | 2,038 | 2,057 | 1,985 | 1,959 | 1,879 | 1,841 | 1,846 | 1,881 | 1,887 | 1,896 |

Sources: City of Hampton, Department of Human Resources

Notes:

¹ There is no housing expense for business-type activities beginning 2008 because HRHA was no longer considered to be a component unit.

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Table XV

CITY OF HAMPTON, VIRGINIA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---------|---------|---------|---------|---------|
| Function/Program | | | | | |
| General government | | | | | |
| Building permits issued | 3,342 | 3,509 | 3,167 | 2,241 | 2,195 |
| Building inspections conducted | 9,500 | 9,349 | 9,459 | 7,853 | 6,988 |
| 311 customer call center | | | | | |
| Number of calls received | 290,000 | 242,158 | 191,727 | 170,971 | 168,492 |
| Public safety | | | | | |
| Police | | | | | |
| Physical arrests | 19,587 | 20,071 | 22,626 | 18,711 | 12,621 |
| Traffic summons | 30,601 | 30,321 | 34,334 | 34,781 | 30,121 |
| Fire | | | | | |
| Emergency responses | 22,641 | 21,592 | 22,928 | 22,651 | 22,271 |
| Fires extinguished | 689 | 332 | 168 | 278 | 378 |
| Patients transported | 10,730 | 7,678 | 12,105 | 12,015 | 12,133 |
| Code inspections | 335 | 740 | 1,553 | 2,165 | 2,572 |
| Highway and streets | | | | | |
| Roads paved or resurfaced (miles) | 15 | 15 | 22 | 28 | 106 |
| Sanitation | | | | | |
| Yard waste collected (tons) | 14,000 | 13,000 | 10,240 | 14,160 | 14,106 |
| Debris removed (tons) | 70,000 | 84,000 | 104,236 | 109,204 | 113,234 |
| Cleanups | 416 | 417 | 366 | 935 | 518 |
| Street sweeping | 4,500 | 3,060 | 2,689 | 3,339 | 3,231 |
| Storm drains cleaned (linear feet) | 104,962 | 99,913 | 71,619 | 76,202 | 97,046 |
| Health | | | | | |
| Preventive health | | | | | |
| Family practice visits (closed 3/31/11) | 3,986 | 3,522 | 3,183 | 2,602 | 2,755 |
| Immunization visits | 6,623 | 6,201 | 5,485 | 5,794 | 7,053 |
| Prescriptions filled (closed 5/25/10) | 39,559 | 34,296 | 30,739 | 26,103 | 22,786 |
| Human services | | | | | |
| Healthy families partnership | | | | | |
| Number of families assessed | 613 | 610 | 525 | 617 | 567 |
| Number of families served | 790 | 1,183 | 1,079 | 888 | 1,026 |
| Number of adult participants in the parenting classes | 1,500 | 1,602 | 1,595 | 1,430 | 1,242 |
| Social Services | | | | | |
| Food stamp participants | 5,850 | 5,384 | 5,365 | 6,027 | 8,040 |
| Culture and recreation | | | | | |
| Senior citizens attendance at Senior Center | 26,414 | 27,338 | 28,021 | 17,047 | 13,730 |
| Community center admissions | | | | | |
| Youth | 57,663 | 60,602 | 63,632 | 67,421 | 82,134 |
| Teen | 72,428 | 65,888 | 67,535 | 49,802 | 37,359 |
| Adult | 75,500 | 79,124 | 80,706 | 94,481 | 113,178 |
| Education | | | | | |
| School membership (total) | 22,229 | 22,176 | 21,189 | 21,411 | 20,804 |
| High schools | 6,914 | 6,657 | 6,659 | 6,494 | 6,784 |
| Middle schools | 5,450 | 5,433 | 5,156 | 4,837 | 4,743 |
| Elementary schools | 9,865 | 10,086 | 9,374 | 10,080 | 9,277 |
| Combined schools | - | - | - | - | - |
| School board personnel | 2,906 | 2,902 | 2,866 | 3,194 | 3,138 |
| Wastewater | | | | | |
| Average daily sewage treatment (thousands of gallons) | 11,604 | 11,600 | 11,300 | 11,410 | 10,566 |

| Function/Program | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---------|---------|---------|---------|---------|
| General government | | | | | |
| Building permits issued | 2,123 | 2,162 | 2,111 | 1,564 | 1,281 |
| Building inspections conducted | 6,131 | 7,021 | 8,029 | 4,602 | 4,520 |
| 311 customer call center | | | | | |
| Number of calls received | 148,351 | 147,458 | 148,988 | 141,891 | 130,387 |
| Public safety | | | | | |
| Police | | | | | |
| Physical arrests | 16,886 | 16,733 | 10,035 | 9,067 | 14,862 |
| Traffic summons | 30,225 | 30,459 | 29,007 | 29,080 | 21,391 |
| Fire | | | | | |
| Emergency responses | 22,394 | 23,718 | 23,808 | 24,815 | 26,149 |
| Fires extinguished | 450 | 320 | 319 | 331 | 491 |
| Patients transported | 11,620 | 12,149 | 13,665 | 14,262 | 14,910 |
| Code inspections | 2,210 | 2,658 | 839 | 3,223 | 2,146 |
| Highway and streets | | | | | |
| Roads paved or resurfaced (miles) | 69 | 68 | 88 | 21 | 26 |
| Sanitation | | | | | |
| Yard waste collected (tons) | 11,965 | 15,244 | 13,326 | 12,896 | 9,762 |
| Debris removed (tons) | 114,773 | 155,011 | 122,317 | 58,223 | 59,422 |
| Cleanups | 819 | 764 | 840 | 817 | 891 |
| Street sweeping | 3,364 | 3,384 | 3,384 | 4,607 | 2,583 |
| Storm drains cleaned (linear feet) | 73,901 | 109,767 | 153,605 | 57,064 | 49,550 |
| Health | | | | | |
| Preventive health | | | | | |
| Family practice visits (closed 3/31/11) | 1,615 | - | - | N/A | N/A |
| Immunization visits | 6,511 | 6,948 | 6,725 | 5,342 | 3,394 |
| Prescriptions filled (closed 5/25/10) | - | - | N/A | N/A | N/A |
| Human services | | | | | |
| Healthy families partnership | | | | | |
| Number of families assessed | 590 | 760 | 689 | 547 | 527 |
| Number of families served | 930 | 979 | 958 | 908 | 948 |
| Number of adult participants in the parenting classes | 1,875 | 2,585 | 2,850 | 2,327 | 2,487 |
| Social Services | | | | | |
| Food stamp participants | 8,939 | 10,372 | 11,048 | 11,101 | 9,824 |
| Culture and recreation | | | | | |
| Senior citizens attendance at Senior Center | 12,985 | 13,050 | 12,997 | 10,449 | 15,046 |
| Community center admissions | | | | | |
| Youth | 13,512 | 55,558 | 55,873 | 51,901 | 51,422 |
| Teen | 15,033 | 20,369 | 22,340 | 43,133 | 42,254 |
| Adult | 135,786 | 80,605 | 80,685 | 77,345 | 78,844 |
| Education | | | | | |
| School membership (total) | 20,762 | 21,622 | 21,366 | 21,113 | 19,854 |
| High schools | 6,749 | 6,781 | 6,516 | 6,218 | 6,066 |
| Middle schools | 6,837 | 4,069 | 3,975 | 3,934 | 3,710 |
| Elementary schools | 7,849 | 9,876 | 9,885 | 8,319 | 7,667 |
| Combined schools | 2,327 | 896 | 990 | 2,642 | 2,410 |
| School board personnel | 2,992 | 2,821 | 2,980 | 2,835 | 2,543 |
| Wastewater | | | | | |
| Average daily sewage treatment (thousands of gallons) | 10,794 | 10,460 | 14,890 | 14,390 | 14,450 |

Source: Various city departments.
N/A - Not available

Table XVI

CITY OF HAMPTON, VIRGINIA

Last Ten Fiscal Years

| Function/Program | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Patrol units | 227 | 246 | 254 | 278 | 272 | 195 | 211 | 211 | 225 | 253 |
| Patrol boats | 3 | 4 | 2 | 3 | 4 | 3 | 5 | 5 | 5 | 5 |
| Fire | | | | | | | | | | |
| Stations | 10 | 10 | 10 | 10 | 10 | 10 | 11 | 11 | 11 | 11 |
| Pumpers | 19 | 19 | 19 | 19 | 19 | 18 | 18 | 14 | 16 | 17 |
| Ambulances | 18 | 17 | 18 | 18 | 18 | 17 | 17 | 16 | 16 | 15 |
| Rescue Vehicles | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | - |
| Ladder trucks | 2 | 2 | 2 | 2 | 2 | 4 | 4 | 6 | 5 | 5 |
| Fire Boats | | | | 2 | 2 | 4 | 4 | 2 | 2 | 2 |
| Highways and streets | | | | | | | | | | |
| Streets (miles) | 438 | 439 | 446 | 459 | 455 | 460 | 475 | 482 | 497 | 486 |
| Traffic signals | 177 | 177 | 181 | 179 | 180 | 180 | 185 | 185 | 187 | 186 |
| Bridges | 41 | 41 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| Sanitation/solid waste | | | | | | | | | | |
| Collection trucks | 44 | 43 | 48 | 49 | 56 | 56 | 58 | 58 | 58 | 58 |
| Culture and recreation | | | | | | | | | | |
| Parks acreage ¹ | 1,628 | 1,789 | 1,789 | 1,791 | 1,791 | 1,791 | 1,791 | 1,791 | 1,791 | 1,791 |
| School parks acreage | 675 | 675 | 675 | 751 | 751 | 751 | 751 | 751 | 751 | 751 |
| Parks | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |
| Amphitheater | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Baseball fields | 38 | 38 | 38 | 38 | 39 | 39 | 39 | 41 | 42 | 42 |
| Basketball courts | 35 | 35 | 35 | 35 | 35 | 35 | 36 | 36 | 36 | 36 |
| Boat ramps | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Coliseum | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Community centers | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 | 7 | 7 |
| Convention center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fitness trails | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Football fields | 20 | 20 | 20 | 20 | 21 | 21 | 21 | 21 | 21 | 21 |
| Football stadium | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Golf courses | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Indoor swimming pools | 1 | 1 | 1 | 2 | 2 | 2 | 3 | 3 | 3 | 3 |
| Municipal beaches | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Municipal parks | 10 | 10 | 10 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Museums | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Outreach centers | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Picnic shelters | 28 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 27 | 27 |
| Playgrounds | 41 | 41 | 41 | 40 | 46 | 46 | 46 | 46 | 46 | 46 |
| Senior citizens center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Soccer fields | 28 | 30 | 30 | 30 | 33 | 33 | 33 | 33 | 33 | 33 |
| Softball fields | 15 | 16 | 16 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Tennis courts | 66 | 66 | 66 | 66 | 66 | 66 | 67 | 67 | 67 | 67 |
| Theatres | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fort Wool | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fishing Pier | | | | | | | 1 | 2 | 2 | 2 |
| Education | | | | | | | | | | |
| High schools | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Middle schools | 6 | 6 | 6 | 6 | 5 | 8 | 8 | 7 | 5 | 5 |
| Elementary schools | 24 | 23 | 23 | 23 | 20 | 20 | 20 | 20 | 24 | 19 |
| Combined schools | - | - | - | - | - | - | 2 | 2 | 2 | 2 |
| Wastewater | | | | | | | | | | |
| Sanitary sewer lines (miles) | 465 | 482 | 469 | 469 | 469 | 426 | 426 | 426 | 490 | 497 |
| Sewer Pumping stations | 107 | 107 | 108 | 108 | 108 | 108 | 108 | 108 | 109 | 109 |

Notes:

¹Park land currently
developed.

N/A-Not available

Source: Various city departments.

N/A - Not available

**Report of Independent Auditor on Compliance for Each Major Federal Program and on
Internal Control over Compliance Required by OMB Circular A-133**

Honorable Mayor and Members of City Council
City of Hampton, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Hampton, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Hampton, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

The City of Hampton, Virginia's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

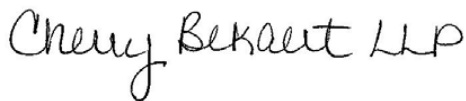
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003 that we consider to be significant deficiencies.

The City's response in the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Virginia Beach, Virginia
December 2, 2015

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Honorable Mayor and Members of City Council
City of Hampton, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hampton, Virginia (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2015. That report recognizes that the City implemented two new accounting standards effective July 1, 2014. Our report includes a reference to other auditors who audited the financial statements of the Downtown Hampton Development Partnership, Inc. as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Downtown Hampton Development Partnership, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described at 2015-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and two instances of noncompliance that are required to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which are described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005.

City of Hampton, Virginia's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Virginia Beach, Virginia
December 2, 2015

City of Hampton, Virginia
Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

A. Summary of Auditor's Results

Financial Statements:

| | |
|--|-------------------|
| Type of auditor's report issued on the financial statements: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified: | No |
| Significant deficiencies identified: | Yes |
| Noncompliance material to the financial statements noted? | No |

Federal Awards:

| | |
|--|-------------------|
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified: | No |
| Significant deficiencies identified: | Yes |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| Identification of major federal programs: | |

Program Description

CFDA #

| | |
|---|----------------------|
| U.S. Department of Agriculture | |
| Child Nutrition Cluster | 10.553/10.555/10.559 |
| Department of Transportation | |
| Highway Planning and Construction Cluster | 20.205 |
| U.S. Department of Education | |
| Title 1, Part A Cluster | 84.010 |
| U.S. Department of Housing and Urban Development | |
| Community Development Block Grants/Entitlement Grants | 14.218 |
| National Aeronautics and Space Administration | |
| NASA Steam Sales | 43.000 |

| | |
|---|--------------------|
| Dollar threshold to distinguish between Types A and B Programs: | \$1,380,849 |
| The City of Hampton was qualified as a low risk auditee? | No |

B. Findings – Financial Statement Audit

2015-001 Significant Deficiency

Criteria:

Per GASB 65, for current debt refundings resulting in a defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Statement of Condition:

During 2015, an older bond reported by governmental activities was refunded and the related premiums and discounts were written off to amortization expense.

Cause:

The City was not aware of this fairly recent change in the accounting standards.

Effect or Potential Effect:

Because of these adjustments, the financial statements were misstated.

Recommendation:

We recommend management revisit the accounting standards for non-routine transactions.

Views of Responsible Officials:

- **Contact Person:** Karl Daughtrey, Director of Finance
- **Corrective Action and Anticipated Completion Date:**

Management concurs that the 2015 bond refunding related to premiums and discounts should have been reflected as deferred outflows of resources in our financial statements. In prior years, premiums and discounts related to refunded bond issues were written off to amortization expense. A fairly recent change in the accounting standards per GASB 65 concerning bond refunding transactions, requires the difference between the reacquisition price and the net carrying amount of the old debt to be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Although Finance staff makes every attempt to stay abreast of accounting standards, this change in accounting for premiums and discounts on refunded bond issues was not followed.

The corrective action plan will be completed by December 2015, the conclusion of the fiscal year 2015 audit. In future years, Finance staff will revisit the current accounting standards for non-routine accounting transactions.

C. Findings and Questioned Costs - Major Federal Awards

2015-002 Non Material, Non Compliance and Significant Deficiency – Subrecipient Monitoring

Program:

Community Development Block Grants/Entitlement Grants (CFDA Number 14.218 – U.S. Department of Housing and Urban Development)

Criteria:

Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

Statement of Condition:

The City failed to demonstrate all required monitoring activities during 2015.

Questioned Costs:

Approximately \$28,000

Perspective Information:

A sample of 13 expense reimbursements from the subrecipient were selected for testing, 4 of which did not have documentation of approval. Outside of reviewing the information received from reimbursement requests, subrecipient monitoring was not conducted during the fiscal year ended June 30, 2015.

Cause:

Due to personnel turnover, the required subrecipient monitoring was not implemented.

Effect or Potential Effect:

The subrecipient could potentially be noncompliant.

Recommendation:

We recommend management ensure all subrecipient monitoring requirements are conducted at least annually throughout the grant period.

Views of Responsible Officials:

- **Contact Person:** Terry O'Neill
- **Corrective Action and Anticipated Completion Date:**

Due to personnel changes in CDBG grant management, the establishing of subrecipient monitoring records was not completed despite the practice taking place at various times of the year. In addition, HUD has reviewed various CDBG, HOME, environmental reviews, and financials regularly every 1-3 years and the City has successfully fulfilled all HUD monitoring requirements for all activities reviewed with no major findings. In addition, the grantee reviews all reimbursement requests for compliance and reviews annual report submissions for the Consolidated Annual Performance and Evaluation Report (CAPER) that is submitted to HUD, also received with no significant findings in recent years.

The following corrective actions are planned to correct the issue:

- Fill vacant CDBG grant administrator position (Anticipated Completion Date: 30 Days)
- Improve system for review / record keeping of subrecipient monitoring. This will include an internal working committee to include the Deputy Director. (Anticipated Completion Date: 90 Days)
- Provide semi-annual monitoring of a sample of subrecipient activities to ensure compliance (Anticipated Completion Date: 180days)

2015-003 Nonmaterial Noncompliance and Significant Deficiency – Allowable Costs

Program:

Community Development Block Grants/Entitlement Grants (CFDA Number 14.218 – U.S. Department of Housing and Urban Development)

Criteria:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages should be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications should be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards.

Statement of Condition:

During testing of the Community Development Block Grant (CDBG) expenditures, it was noted the City did not have certifications, personnel activity reports or equivalent documentation for CDBG employees.

Questioned Costs:

No questioned costs were identified as a result of this finding.

Perspective Information:

Of a sample of 5 employees, we noted 5 employees where proper documentation of time and effort was not maintained.

Cause:

Due to personnel turnover, the department was not aware of this requirement.

Effect or Potential Effect:

Questioned costs may exist for all personnel costs.

Recommendation:

We recommend management implement written procedures to account for employees' time spent on the grant via a timesheet. For employees who work solely on the grant, a semi-annual certification should be obtained.

Views of Responsible Officials:

- **Contact Person:** Terry O'Neill
- **Corrective Action and Anticipated Completion Date:**
 - *Certified Performance Management Forms:* Currently, the personnel funded under CDBG eligible activities are managed through the City's Performance Management Form that establishes goals and work activities for employees for the fiscal year and includes a mid-year review of those activities to ensure compliance and significant progress.
 - *Certified Performance Management Forms (continued):* Initial plans, mid-year assessments and end of the year evaluations are signed by employees and their supervisor to demonstrate accurate reporting of the employee's activities. These reports will be continued for all CDBG employees in addition to annual reports submitted to HUD in the Consolidated Annual Performance and Evaluation Report (CAPER) that relate to employee activities during the reporting year. (*Anticipated Completion Date: Complete & Ongoing*)

- **Corrective Action and Anticipated Completion Date (continued):**

- *Certified Monthly Activity Reports:* In addition, CDBG funded personnel will be required to provide monthly activity reports generally outlining their related eligible activities as it relates to their time worked. (*Anticipated Completion Date: 60 Days to establish system*) *Time Management System:* Management will continue to explore the possibility of more detailed tracking with the implementation of the KRONOS time management software currently being tested in other departments. (*Anticipated Completion Date: 9mo - 18mo*)
- *Grant Management:* Fill vacant CDBG grant administrator position (*Anticipated Completion Date: 30 Days*)

2015-004 Nonmaterial Noncompliance - Social Services – System Controls

Criteria:

When a user leave the Local Department of Social Services (LDSS), their access privileges must be removed from all systems within three working days of employment termination.

Statement of Condition:

A terminated employee's access was not removed within 3 days of the termination date.

Questioned Costs:

No questioned costs were identified as a result of this finding.

Perspective Information:

Out of a sample of 3, there was 1 instance of noncompliance where access was removed after 4 business days.

Cause:

Access was kept open in order to properly transition this employee's access to another authorized employee.

Effect or Potential Effect:

Unauthorized access to the LDSS's information.

Recommendation:

We recommend management implement a process that would allow them transition responsibilities and ensure access is removed within 3 working days from the date of termination.

Views of Responsible Officials:

- **Contact Person:** Felicia DeBrew, Financial and Operations Administrator
- **Corrective Action and Anticipated Completion Date:**

This occurrence was due to extenuating circumstances. We had to ensure all of the Director's emails that were maintained by the assistant were redirected to the new assistant so no information would be lost. The regulation and our practice is that a former worker's rights are removed from all information systems within 3 days after separation from the department.

2015-005 Nonmaterial Noncompliance - Social Services – System Controls

Criteria:

The Local Security Officer (LSO) should review all employees' access to each application with the employees' supervisors on an annually basis to ensure the access is properly aligned with job responsibilities.

Statement of Condition:

During the audit, it was found that this requirement was not a part of the department's policies and procedures.

Questioned Costs:

No questioned costs were identified as a result of this finding.

Perspective Information:

This requirement was never part of the department's policies and procedures.

Cause:

The department was unaware of this requirement.

Effect or Potential Effect:

Unauthorized access to the LDSS's information.

Recommendation:

We recommend management implement a process to review employees' access to each application on an annual basis.

Views of Responsible Officials:

- **Contact Person:** Felicia DeBrew, Financial and Operations Administrator
- **Corrective Action and Anticipated Completion Date:**

Based on the state requirement and the recommendation noted above, the Technology Annual User Privileges Form has been implemented as of August 2014.

D. Resolution of Prior Year's Findings

2014-001:

Status: Corrected

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